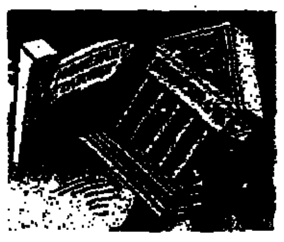
FINANCIAL TIMES



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Running Emu
Monetary policy for single currency
Europa, Page 12

Sex and death
Lulu in Copenhagen
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World Business Newspaper http://www.FT.com FRIDAY SEPTEMBER 6 1996

Brussels acts to reassure public over beef crisis

The European Commission is set to unveil an ambitious labelling regime for beef in an attempt to boost the image of the industry, hit by the crisis over BSE or mad cow disease. Under the plan, consumers would be given a history of each piece of beef, from cowshed to supermarket shelf. Page 14

Court victory for UBS: Union Bank of Switzerland has finally won court approval to introduce a capital structure which will considerably increase its capital-raising flexibility. The Zurich Commercial Court verdict comes after nearly two years of legal disputes with a dissident shareholder group. Page 15

French rebuff over Iraqi no-fly zone: France refused to take part in air patrols over an enlarged no-fly zone in southern Iraq despite efforts by US Secretary of State Warren Christopher to persuade them of the need for an extended zone. Page 3

Crédit Lyonnais close to rescue deal: The French government is close to agreeing a new rescue plan for Crédit Lyonnais. Under the deal the troubled state-owned banking group is likely to be able to waive most of the heavy costs imposed on it as part of its restructuring deal agreed last year. Page 15

Campbell Soup shake-up: The US maker of soups and sauces announced a $160m restructuring charge as part of a series of measures aimed at repositioning itself as one of the world's fastest growing food companies. Page 15

Advisers quit Dole campaign: Two senior advisers resigned from Republican presidential candidate Bob Dole's campaign team. Page 5

Graf's father denies tax fraud:

The father of the world's top female tennis player, Steffi Graf, told a German court that he had kept his daughter in the dark about her finances but denied tax fraud. Peter Graf (left), who faces tax evasion charges, blamed poor health, poor guidance and broken promises from local authorities for the tax scandal that led to his arrest 13 months ago. Ms Graf declined to testify at her father's trial in Mannheim because she did not want to incriminate herself. Page 2

Move to cut cost of international calls: The US and Britain are hoping to help trigger sharp falls in international telephone call prices and shake up the structure of telecommunications worldwide with a radical plan to liberalise transatlantic traffic. Page 14 and Lex

Moslems guilty of US bomb plot: Three radical Moslems were convicted by a federal jury in New York of planning to bomb 12 US passenger jets to punish Washington for its support of Israel.

Gaylord chief resigns: Richard Evans, the chief operating officer at Nashville-based Gaylord Entertainment, has resigned unexpectedly. The move may resurrect speculation over the sale of the group whose assets include theme parks, hotels and the Grand Ole Opry – the home of country music broadcasting. Page 15

Japan PM urged to call snap poll: Japanese prime minister Ryutaro Hashimoto came under pressure from his Liberal Democratic party to call a snap general election late next month. Page 4

Italy's inflation rate at 27-year low: Italy's annual inflation rate fell to 3.4 per cent in August, its lowest level since 1969. Page 2

Elf Aquitaine, the French oil, chemicals and drugs group, reported a 24 per cent advance in half-yearly income, boosted by high oil prices and increased oil and gas production. Page 17

Japanese bank in fraud probe: Sanwa Bank, one of Japan's leading financial institutions, dismissed one of its branch managers after it alleged he had embezzled about Y550m ($5m) in depositors' funds. Page 16

Bank of China is to set up a merchant bank in the UK, its first investment banking operation in the west. Page 15

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■ STOCK MARKET INDICES		
New York lunchtime		
Dow Jones Ind Av	5,632.48	(-24.42)
NASDAQ Composite	1,132.77	(-11.05)
Europe and Far East		
CAC40	1,996.23	(+11.46)
DAX	2,529.54	(-2.85)
FT-SE 100	3,887.2	(+14.5)
Nikkei	20,379.82	(+177.95)

■ US LUNCHTIME RATES	
Federal Funds	5¼%
3-mth Treas Bills: Yld	5.342%
Long Bond	95⅛
Yield	7.141%

■ OTHER RATES		
UK: 3-mo Interbank	5 21/32%	(same)
UK: 10 yr Gilt	97 7/32	(97 1/32)
France: 10 yr OAT	105.89	(105.63)
Germany: 10 yr Bund	99.12	(99.10)
Japan: 10 yr JGB	99.8836	(100.173)

■ NORTH SEA OIL (Argus)		
Brent Dated	$22.09	(22.21)

■ GOLD		
New York: Comex		
Dec	$389.6	(389.7)
London:		
close $386.15		(385.9)

■ DOLLAR		
New York: lunchtime		
£	1.567	
DM	1.49475	
FFr	5.0825	
SFr	1.20725	
Y	109.05	
London:		
£	1.5679	(1.5655)
DM	1.4848	(1.4823)
FFr	5.0818	(5.0817)
SFr	1.2074	(1.2055)
Y	109.115	(108.705)
Tokyo close:	Y 109.0	

■ STERLING		
DM	2.328	(2.3204)

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lts 18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$30	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kč70	India	Rs75	Nigeria	Naira120	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£90.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zł 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils.750	Portugal (inland)	Es365	Turkey	L120,000
Germany	DM4.00	Lebanon	LL3500			UAE	Dh13.00

Juppé rushes out sweeping tax cut plan

By David Owen and Andrew Jack in Paris

Mr Alain Juppé, the French prime minister, last night rushed out a sweeping package of tax cuts in a bid to improve his government's popularity and kick start the country's floundering economy.

In an announcement originally planned for next week but brought forward after Wednesday's unexpectedly poor economic figures, he said FFr75bn ($14.8bn) would be wiped off income tax over the next five years – with taxpayers receiving a third of the reduction next year.

The net reduction in taxes in 1997 would be FFr18bn, with income tax cuts offset by a FFr7bn increase from levying social security charges for the first time on investment income as well as salaries.

He promised that all taxpayers would pay less income tax and indicated that the top rate, currently 56.8 per cent for those earning from FFr288,100, would be brought down to 54 per cent next year and to 47 per cent over the next five years. But he said those on modest incomes would get the biggest cuts.

He also pledged a reduction in state medical insurance payments, with an initial cut next year of 1.3 percentage points from 6.8 per cent of gross income to 5.5 per cent. From next year, the government also plans to abolish or reduce many tax privileges for specific group of employees.

"We need to give additional purchasing power to all of those who are holding back from spending or investing because their tax burden is too great," the prime minister said. "We need to encourage those who work, who invent, who create, who invest – in summary those who make the country tick."

The measures were greeted coolly by other leading figures from the country's ruling centre-right coalition. Mr Edouard Balladur, the former prime minister and defeated presidential candidate, said Mr Juppé should move to cut taxes by FFr120bn as quickly as possible. Mr François Léotard, the UDF leader, called for a "careful examination" of French VAT levels.

The package represents a last-ditch effort by the prime minister to stimulate consumer spending – which has remained depressed in spite of France's comparatively high savings levels – and to improve the country's weak economic growth.

Preliminary gross domestic product figures this week, showed the economy contracted by 0.4 per cent in the second quarter – no improvement on the last three months of 1995 when the country was hit by public-sector strikes.

A series of measures has raised taxes by more than FFr100bn since 1995 as the government has striven to cut its financial deficit in line with the Maastricht convergence criteria for economic and monetary union. These measures have included increases in value added and local taxes.

Summer time alarm, Page 2

Business conditions in UK shopping centres are brighter than at any time since the last consumer boom of 1988, retailers have reported. The surge is welcome for the government, but may arouse UK central bank concerns about inflation.

In Germany, the economy returned to growth in the second quarter but jobless figures and an OECD report gave little hope of an easing of the country's unemployment. The August jobless total of 3.9m was higher than for the same month last year.

■ Details, Pages 7 and 14
■ Germany warned on subsidy culture, Page 2

Russian leader's absence likely to fuel power struggle inside Kremlin

Yeltsin to have heart operation in Moscow

By John Thornhill and Chrystia Freeland in Moscow

Russian president Boris Yeltsin is to have heart surgery later this month. The announcement, which the president made in a television interview yesterday, could intensify the turbulent succession struggle in the Kremlin.

Mr Yeltsin did not specify how serious his condition was nor whether he intended to hand over power during his convalescence. Mr Victor Chernomyrdin, prime minister, would assume presidential powers if Mr Yeltsin died or was incapacitated.

But the 65-year-old president vowed he would recover to continue "active work". He still intends to meet Mr Helmut Kohl, German chancellor, tomorrow.

On Russian television last night, Mr Yeltsin said he did not want to conceal his illness from the public.

"I have undergone routine checks and during these checks they have found something wrong with my heart," he said. "The recommendations of the doctors were either for an operation or to work in a passive way. But passive work has never suited me and does not suit me now. It is better to have the operation and fully recover."

Mr Yeltsin, who has had a long history of heart trouble, suffered two minor heart attacks last year.

But despite prolonged absences since the presidential elections on July 3, government leaders and presidential aides have persistently denied Mr Yeltsin was suffering from heart trouble.

His absences were attributed to "colossal tiredness" after an exhausting re-election campaign.

Mr Yeltsin said he would not travel abroad for an operation, saying the experts at the Moscow Cardiological Centre were fully capable of performing the operation.

He closed his interview by telling Russians he "very much" hoped for their support, in an apparent attempt to gain public sympathy.

The confirmation of Mr Yeltsin's illness is likely to fuel the in-fighting within the Kremlin over who will eventually succeed him. Mr Chernomyrdin would appear to be the "establishment" candidate although Mr Alexander Lebed, the president's national security adviser, is a contender with his rapid conclusion of a truce in Chechnya last week.

During his television appearance Mr Yeltsin offered measured backing for the former

Continued on Page 14
Yeltsin heart surgery, Page 2

Boris Yeltsin appears on Russian television yesterday to announce he will have a heart operation

Olivetti threatens to sue ex-director after inquiry

By Andrew Hill in Milan

Olivetti, the Italian information technology group, yesterday threatened to sue a former executive after his claims that the company's interim results were misleading prompted an inquiry by the stockmarket watchdog.

Olivetti's shares were suspended before trading began in Milan amid growing confusion and concern about the future of the group. On Tuesday, Mr Carlo De Benedetti resigned as chairman, followed by Mr Renzo Francesconi, director-general in charge of finance, administration and auditing.

Mr Francesconi, who had only been with Olivetti for six weeks, said he disagreed with the way in which Olivetti's results for the first half of 1996 had been presented. In an interview published yesterday, Mr Francesconi claimed he had submitted different interim figures which painted a less flattering picture of the company's situation. Olivetti said Mr Francesconi's comments were "totally without foundation".

Consob, the stockmarket watchdog, interviewed Mr Francesconi, and yesterday evening was still talking to Mr Antonio Tesone, the new Olivetti chairman, Mr Francesco Caio, chief executive, and two other senior executives.

Consob wants Olivetti to publish a statement which would allow the suspension of the shares to be lifted today. They are part of the Mib-30 index of Italy's 30 heaviest traded stocks and there is international interest in Olivetti's struggle to recover from heavy losses.

Mr Francesconi, who joined Olivetti from the Rai state broadcaster, refused to comment. However, he dismissed Mr Caio's suggestion that his comments were "probably the result of stress, given the huge task facing [Olivetti]".

The half-year results – which showed a worse-than-expected operating loss of L80.8bn ($53.3m) and a pre-tax loss, after provisions, of L440.2bn – were produced at the end of Tuesday's extraordinary board meeting. The meeting was the climax of a battle between Mr De Benedetti and Mr Caio over future strategy.

Mr De Benedetti, who had run Olivetti for 18 years, resigned in what appeared to be a tactical victory for Mr Caio. The initial stock market reaction on Wednesday was positive, though the shares later fell on concerns about the half-year figures.

Olivetti may seek ally, Page 17

Deutsche Bank admits to failure of controls

By John Gapper, Nicholas Denton and Roger Taylor in London

Deutsche Bank yesterday said that it was considering moving responsibility for its UK unit trust business from London to Frankfurt after the complete failure of management controls within its UK asset management business.

The bank admitted that senior managers at Morgan Grenfell Asset Management were warned in April that Mr Peter Young, a fund manager suspended earlier this week, was defying regulators' rules on holdings of shares.

It emerged yesterday that Mr Young started setting up a web of unlisted holding companies in Luxembourg in July 1995 in an effort to conceal growing investments in European technology stocks that were breaching City rules.

However, the managers accepted Mr Young's claim that these unlisted companies were legitimate, and that he was reducing his holding. They failed to discover that he had moved shares to new holding companies.

All the Luxembourg holding companies have links to Fiba Nordic Securities, a London-based broking firm under examination by the Securities and Futures Authority in London since April.

They are connected through Mr Marco Wolf and Mr Jurg Wiler, of Wiler & Wolf, a Swiss law firm. These men are directors of some of the Luxembourg holding companies, and also of holding companies owning a majority of Fiba Nordic.

The failure of MGAM's management to prevent Mr Young from investing in these holding companies for one of its flagship unit trusts is an embarrassment for Deutsche Bank and its UK subsidiaries.

Investors yesterday withdrew about £100m ($156m) from two UK unit trusts and an offshore investment fund suspended by Morgan Grenfell

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NEWS: EUROPE

OECD report voices concern at high levels of support for industry

Germany warned on subsidy culture

By Michael Lindemann in Bonn

Germany's efforts to change the focus of its economy from traditional industries to new technologies risk extending the "subsidy mentality" which has already seized eastern Germany, the Organisation for Economic Co-operation and Development warned yesterday.

Special attention was needed to avoid new subsidies in the form of tax breaks for high-technology start-ups; other programmes to inject equity into eastern German companies "should also be closely scrutinised to ensure new subsidy programmes are not being established".

In its annual report on the state of the German economy, the OECD also criticised the "complex" system of taxes which "inhibit the development of newly-established enterprises".

The report contains a special chapter on the taxation system and on transfers in the economy – payments other than tax or income from employment, such as welfare benefit payments to individuals and subsidies to industry, including indirect subsidies such as tax breaks.

It said such transfers risked creating a "dependency culture.... raising questions about whether the operation of the welfare system is not inadvertently creating new recipients and whether future commitments can be financed".

Transfers generally had got out of control, the report said, and were being used "to achieve numerous policy objectives" such as subsidising the railways.

Furthermore, by taxing the income of incorporated and unincorporated companies differently, Germany was "discouraging the development of stock market listings" – one of the government's declared aims in its efforts to make equity investments more attractive and improve the international standing of the Frankfurt stock exchange.

Some of the strongest criticism was reserved for Germany's use of industrial subsidies and tax incentives which, the report admitted, had been distorted by the country's reunification.

Germany pays more subsidies to industry than any other European Union country. While these had begun to decline in western Germany, the report said that continuing extensive subsidies in the east "could lead to a subsidy mentality and distort competition".

Germany's efforts to meet the Maastricht criteria for a single currency were also dealt a blow by OECD forecasts which indicate that the budget deficit will rise to 3.5 per cent of gross domestic product in 1997 – significantly higher than the permitted 3 per cent. Overall indebtedness is forecast to climb to 62 per cent of GDP in 1997, above the prescribed target of 60 per cent.

However, Mr Dieter Menke, the OECD's Bonn representative, pointed out that the forecasts were based only on measures already enacted and did not include the DM70bn savings package which faces a crucial vote in parliament next Friday.

"It is possible for Germany to meet the criteria in 1997," he said, "but only if all the measures [in the savings package] are enacted."

VW aid fight part of wider battle

Bonn's whole policy towards eastern states is at issue, writes **Wolfgang Münchau**

Germany and the European Commission appear to have made peace in the dispute over the DM90.7m ($62m) in subsidies paid to the carmaker Volkswagen by the state of Saxony. Brussels had ruled that it broke European Union rules.

The compromise is remarkable from a legal point of view: VW can keep money paid to it illegally (in contravention of EU regulations) and, in return, forgoes a legal subsidy – in the shape of tax credits – of equal size.

But German government officials and the company insist the basic issue has been postponed, not solved.

The dispute between Bonn and Brussels extends beyond the aid the government of Saxony gave VW to expand two car plants in the state. It has brought the government's policy towards its eastern states into direct conflict with the European Union.

Bonn has pursued a policy of forging rapid economic unity between east and west through relentless harmonisation, funded by massive subsidies. This has resulted in higher taxes, but has failed to achieve a noticeable economic revival in the east.

Volkswagen, which is 20 per cent owned by the state of Lower Saxony, is among Germany's most influential companies, with roots deep in the country's economic and political establishment. A senior official once remarked that VW was to Germany "what apple pie is to the Americans".

VWs roll off the line at Wolfsburg, the company's headquarters in Lower Saxony Reuter

The company's political clout and the political manoeuvrings by Mr Kurt Biedenkopf, Saxony's prime minister, have largely been behind the Bonn government's position in this case – that the Commission has no right to interfere in the aid package agreed with VW.

Germany's argument revolves around a loosely worded article in the European treaties. Article 92, section 2c, exempts aid to "certain areas" in Germany from EU state aid policy, as long as it is needed to overcome the consequences of Germany's division.

The clause, part of the 1957 Treaty of Rome, was intended to cover subsidies to West German regions along the border with East Germany. VW has long benefited from this clause. Its home town of Wolfsburg is in Lower Saxony, in the affected area of West Germany.

During negotiations on the Maastricht revisions to the EU treaty, Germany fought hard to hang on to this clause, even though the country had by then been united.

Mr Hans-Dietrich Genscher, the former foreign minister who mounted the successful defence of the clause at Maastricht, argued in a newspaper article this week that Saxony might have breached some formal rules when it paid the money to VW after the EU had ruled that it could not. "But this does not change the facts of the law, which is clearly on the side of [Saxony]."

The Germans insist that the clause extends to all of eastern Germany, since all of it has been disadvantaged by Germany's division. Mr Jacques Santer, president of the European Commission, says the clause "only applies to exceptional cases and does not apply in general".

While western Germans are used to legal disputes with the EU, eastern Germans still tend to react with bewildered disbelief, especially if actions by the EU are seen as endangering jobs or hindering their creation.

Opinion polls suggest that east Germans are more hostile to the EU than their fellow citizens in the west, or are at least indifferent to it, and the dispute over aid to VW is likely to have widened the gulf in attitudes considerably.

A revealingly frank comment on east German attitudes came from Märkische Allgemeine, a Potsdam newspaper, which wrote this week: "The cold-bloodedness with which Mr Biedenkopf has broken EU law appears to be paying off."

The company insists that it will go ahead with extending the plants at Mosel and Zwickau, creating 2,300 jobs, despite having DM90m already approved tax credits frozen. VW says it is legally entitled to this money and will claim it back at the end of the year.

The case will be settled finally by the European Court, but if there is no solution there this year, or some early settlement between Germany and VW, the dispute with the Commission could flare up again.

VW is unlikely to forgo the money permanently without a fight. The most likely outcome is that the company will extend the plants and recoup the frozen money, or some of it, in some other way.

Steffi Graf's father denies tax fraud

The father of Steffi Graf, ranked the world's number one woman tennis player, told a German court yesterday that he had kept his daughter in the dark about her finances but denied tax fraud, Reuter reports from Mannheim.

The court said Ms Graf had declined to testify at her father's trial because she did not want to incriminate herself. As her father answered tax evasion charges, she advanced to the semi-finals of the US Open in New York.

Mr Graf, a former used-car salesman, blamed poor health, poor guidance and broken promises from local authorities for the tax scandal that led to his arrest 13 months ago.

"There was extreme pressure on me because of the permanent travelling," he said, at times on the verge of tears.

Having spent 13 months in investigative custody, Mr Graf faces a possible 10-year jail sentence if convicted of evading DM19m ($13m) in taxes from the late 1980s.

Mr Graf, 58, who accompanied his daughter to tournaments around the world, was arrested last year because prosecutors feared he would flee the country.

He said he had always taken responsibility for Steffi's finances. "Our daughter was completely unaware [of her tax situation] until 1995," he said. "In any case, all the back taxes have now been paid."

Prosecutors read an 18-page summary of the 237-page charge sheet detailing some DM42m worth of undeclared income between 1989 and 1993.

Mr Graf said he had been close to moving his family abroad to avoid high German taxes, but decided to stay because "my roots are here in Germany" and because local political leaders had assured him of tax relief for his daughter.

"I knew that such sporting achievements only last a short time and I knew I had to try to set aside financial reserves," Mr Graf said. "It became apparent to me that taxes in Germany and abroad could eat everything up."

"Some sports stars solve this problem by emigrating," he said.

France premier sounds alarm on summer time

By Andrew Jack in Paris and Caroline Southey in Brussels

A French government move to end summer time – the practice of putting the clocks forward by an hour between March and October – yesterday took the European Union by surprise.

It is less than six months since Europe harmonised summer time – Britain and Ireland for the first time switched their clocks on the same day as the rest of Europe, the last Sunday of March. France, like most of Europe, sets its clocks to one hour ahead of Greenwich Mean Time in winter and two hours ahead in summer.

Now Mr Alain Juppé, the prime minister, has asked Mr François-Michel Gonnot, head of a National Assembly commission, to consider whether the country should remain on the same hour throughout the year.

The Matignon, the prime minister's office, said yesterday Mr Juppé had asked Mr Gonnot to consider both GMT plus one hour and GMT plus two hours and stressed that the premier had yet to decide whether reform was needed.

But Mr Gonnot, who expects to report by November and backs changing the existing system to remaining at GMT plus one hour all year, said yesterday Mr Juppé shared his view that reform was necessary.

Ms Eléonore Gabarain, president of ACHE, a pressure group against the summer hour, cited a recent poll suggesting that two-thirds of the French wanted to change the existing system, which forced many people to get up when it was still dark during summer. She said the average time at which the French wake up is 6.30am.

Ms Ségolène Royal, a socialist deputy who has lobbied for abolition of the present system, said: "With summer time, workers and farmers get up when it is still night-time. Just so managers can have another hour to play tennis in the evening."

Summer time was introduced in 1976 under President Valéry Giscard d'Estaing, in the belief that it would save energy costs following the oil price rise.

Mr Gonnot said the annual energy savings of summer time amounted to less than the contents of one oil tanker, and cost French railways more than FFr10m ($1.97m) a year in changing timetables and links with other national networks.

An EU official said the announcement "came as a bit of a surprise." The proposal to harmonise the present arrangements "was agreed by a group of experts in which France was represented. At no time was a negative opinion expressed."

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boëtie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

Foreign chiefs braced for crisis in IGC

Political storms are gathering in Tralee, says **Lionel Barber**

European Union foreign ministers meet in Tralee, County Kerry, tomorrow with one eye on capricious Irish weather and the other on the political storms gathering this autumn.

The slowdown in the European economy, chronic unemployment, and renewed doubts about the planned single currency are bad enough; but the EU is also braced for a crisis in the stalled intergovernmental conference (IGC) to review the Maastricht treaty, instability in Bosnia after this month's elections, and fresh controversy over mad cow disease.

It is a daunting agenda, which has led to an outbreak of post-vacation pessimism in Brussels. "We are entering a dangerous period," says one senior official. "Everywhere there is a climate of mistrust."

Tralee, which hosts this weekend's meeting, is the hometown of Irish foreign minister, Mr Dick Spring. He will use his wily charm to achieve consensus during talks on Bosnia, the Middle East peace process, Russia, Cyprus, and a Danish paper looking at a long-term EU strategy for the Organisation for Security and Co-operation in Europe (OSCE).

The thorniest subject is the IGC. Ireland, which holds the rotating EU presidency, is anxious to speed up negotiations on institutional reform to cope with future enlargement to central and eastern Europe. Dublin would like to have a draft Maastricht 2 treaty ready by the end of November in time for the EU summit in mid-December.

But officials close to the IGC admit that serious negotiations have yet to begin, and it is no secret that the Irish and others are upset that the French have pushed everyone into holding a mid-October mini-summit which could arouse false expectations of a breakthrough. Pointedly, the Irish have yet to set a date, citing difficulties in finding hotel space.

Three other political developments in Brussels this week underlined difficulties ahead in the IGC.

First, the European Commission called for a treaty amendment to give it exclusive negotiating rights over international trade agreements in services and intellectual property. This would confer the same powers the Commission enjoys on trade in goods, allowing the EU to speak with one voice on trade policy.

To the dismay of the Commission, big member states, led by Britain and France, opposed the proposal. Yet if member states refuse to cede limited sovereignty on trade

> 'We are entering a dangerous period . . . everywhere there is a climate of mistrust'

and economic policy – where the Commission enjoys real power – there seems little hope of achieving a common EU foreign policy.

The second ill omen came in the form of a British paper on subsidiarity, the term used for devolving decision-making on EU matters to the lowest appropriate level. Commission officials who have seen it describe it as ingenious, thorough, and ultimately destructive in its desire to repatriate powers to the nation state.

An intransigent Conservative government in Britain remains the biggest obstacle to an early agreement in the IGC, but it is not the only obstacle.

As this week's hard-fought compromise with Germany over state aid to Volkswagen in Saxony underlines, other powerful national and regional forces are challenging the authority of the Commission and the legitimacy of the EU.

Italian inflation lowest for 27 years

By Andrew Hill in Milan

Italy's annual inflation rate fell to 3.4 per cent in August, its lowest level since 1969, Istat, the state statistics institute, announced yesterday.

The latest figures confirm the strong downward trend in Italian consumer price rises. The year-on-year inflation rate has dropped from a peak of 6 per cent in November last year.

In July, Istat announced a reduced year-on-year rate of 3.6 per cent, and a 0.2 per cent fall in consumer prices over the month, the first time since 1958 that negative growth in inflation had been recorded. In August, consumer prices rose by 0.1 per cent compared with the previous month.

The Italian treasury – which has set the fight against inflation as one of its priorities – said the latest figures demonstrated that the drop in inflation was likely to be durable and structural, and said it was due to a "cocktail" of virtuous behaviour on the part of industry, unions, and government, helped by the stronger lira.

Economists said the trend was likely to continue in coming months and could prompt a further reduction in Italian interest rates before Christmas. "[Inflation] could fall below 3 per cent on a yearly basis by November or December," said Mr Daniele Castelnuovo, chief economist with Euromobiliare in Milan.

Analysts pointed out, however, that the overall economic picture in Italy was still marked by low consumer demand and sluggish investment.

On a monthly basis, the strongest rises were felt in housing, water and energy prices – up 0.6 per cent – while the price of food products fell by 0.2 per cent, helped by reduced fruit and vegetable prices. Including tobacco products the year-on-year inflation rate for August was 3.5 per cent.

Peter Nordström, the Swede expelled from Russia for alleged spying, wards off the cameras with a copy of Margaret Thatcher's memoirs. He says his arrest in St Petersburg while exchanging money with a contact was a set-up. But his employer, the Swedish defence contractor Celsius, suspended him yesterday. Reuter

Yeltsin heart surgery has successors' pulses racing

Political turmoil in the Kremlin can only intensify, writes **Chrystia Freeland**

Sitting in a cosy armchair dressed in a casual V-neck sweater, President Boris Yeltsin looked every inch the modern, television-friendly politician yesterday as he delivered his bombshell announcement that he will undergo heart surgery later this month.

After more than two months of Soviet-style obfuscation and outright lies about the president's health, Mr Yeltsin's openness was a welcome shift to the accountability which, in his best moments, the Russian leader has promised.

But the Kremlin's newest burst of *glasnost* risked being overshadowed by political turmoil. Most observers predict that the revelation will intensify the fierce but covert succession struggle which began even before Mr Yeltsin was re-elected in July.

If he dies or is incapacitated, Mr Victor Chernomyrdin, the prime minister, would take over for three months, until fresh elections.

Although Moscow's political elites are still exhausted by a presidential contest which consumed the nation this spring, the possibility that the top job could again be up for grabs is likely to excite the ambitions of Mr Yeltsin's most likely heirs.

As premier and leader of the powerful oil and gas lobby, Mr Chernomyrdin is seen as one of the strongest contenders. But he could be challenged by Mr Yuri Luzhkov, the popular and populist mayor of Moscow, and Mr Alexander Lebed, the maverick security chief who clinched a deal with the Chechen separatists last week.

Mr Lebed's rapid emergence from the political shadows to centre stage has been one of the most important results of the elections, in which the charismatic former general came a strong third.

These three members of the Yeltsin administration could also face opposition from the Communists, Russia's best organised grassroots party. But their resounding defeat in the July poll may discourage them from re-entering the ring; they may decide to back a non-Communist candidates.

For the past two months, the three have been engaged in a covert battle for the sympathies of the Russian public and the equally important support of financial and political leaders. Mr Anatoly Chubais, the president's chief of staff, admired by reformers, is considered to be too unpopular with voters to be a contender.

One battleground has been Chechnya, where Mr Lebed made a bold bid for the electorate's support by negotiating a ceasefire, which his potential rivals have been markedly slow to back.

As the succession contest becomes even more fierce, it is also expected to become even more discreet. After a successful operation, a vigorous Mr Yeltsin could return to the political scene and punish any subordinate with the temerity to seek to replace him.

"The rivalries don't disappear, but the situation becomes more complicated because you have to factor in the possibility of a recovery," said one western diplomat.

The presidential election, carried through despite numerous pitfalls, has built foreign and domestic confidence in Russia's constitutional process. Most observers are now convinced that, no matter how intense the fight, the country is likely to choose Mr Yeltsin's successor in a democratic fashion.

But even though the nation is more confident of the robustness of Russia's young democracy than it was six months ago, economists warn that Mr Yeltsin's admitted heart problems could bring yet another postponement to the long-prophesied economic boom.

"This means a new delay of investment in Russia," said Mr Vladimir Mau, one of the country's leading democratic strategists.

"Until recently, all of us stressed economic and legal prerequisites for Russian economic growth, but we must now confess that another crucial precondition is a stable cardiogram for the president."

The immediate decline in Russian debt and equity prices following Mr Yeltsin's announcement was an early signal that, yet again, the country's economic prospects could become hostage to its political instability.

Mr Yeltsin's belated decision to come clean about his health problems may have reassured Russians of his commitment to political openness, but only skilful surgeons and a robust presidential physique will convince investors that it is finally safe to come into the Russian markets.

NEWS: INTERNATIONAL

US attack on Iraq: Christopher warmly received in London, coolly in Paris □ Clashes reported between Kurds

French part company on no-fly zone

By Alexandra Capelle and Bruce Clark

France yesterday refused to take part in air patrols over an enlarged no-fly zone in southern Iraq despite the efforts of Mr Warren Christopher, the US secretary of state, to persuade it of the need for an extension.

A terse statement by the French foreign ministry, issued after Mr Christopher held talks in Paris, said the US official had assured his hosts that US punitive action against Baghdad was now complete.

Only after receiving these undertakings did the French tell Mr Christopher that they would continue air patrols in northern Iraq and also south of the 32rd parallel – the no-fly zones in force until last week.

However, French aircraft would not help to enforce the expanded no-fly zone, reaching as far as the 33rd parallel which runs just south of Baghdad, which Washington has proclaimed with British support.

The French statement pointedly stopped short of endorsing the US cruise missile attacks on anti-aircraft sites in southern Iraq which were carried out on Monday and Tuesday.

The US-French difference over Iraq will cast a shadow over a major speech on transatlantic relations which Mr Christopher will deliver today in Stuttgart.

The chilly reception accorded the secretary of state was in sharp contrast to the cordial atmosphere at talks earlier yesterday in London with Mr Malcolm Rifkind, the UK foreign secretary.

Mr Christopher hailed British support for US policy towards Iraq, including the extended no-fly zone, as a display of the "extraordinary partnership" between Washington and London.

"The UK has been out (in support of US policies) early and often and President Clinton appreciates that," Mr Christopher is understood to have told his British counterpart.

Asked about the legal basis for US punitive action against Iraq, Mr Christopher said the imposition of a no-fly zone was generally agreed to be a "good way" to carry out UN resolution 688, which condemns Iraq for its treatment of minorities in both the north and south.

By attacking Iraq's surface-to-air installations, "we are simply making it possible for our pilots to carry out their obligations in this no-fly zone in a way that doesn't risk their lives," Mr Christopher said.

He expressed confidence that international understanding for US motives in punishing the Iraqi regime would gradually increase.

British officials said the distinctive French position reflected the desire of President Jacques Chirac to stake out a prominent role for Paris in the Middle East – and reap the commercial rewards of a revived relationship with Iraq.

But in comments that differ in emphasis from those heard in Washington, the UK officials say the "oil-for-food" deal – entitling Baghdad to sell $2bn worth of oil and spend the proceeds on humanitarian essentials – should eventually go ahead.

John Barham adds from Diyarbakir, south-east Turkey: Kurdish guerrillas of the Kurdistan Democratic Party (KDP), possibly supported by Iraqi forces, were yesterday reported to have attacked positions of the rival Patriotic Union of Kurdistan (PUK), ending a five-day lull following the fall of Arbil, the regional capital, to combined KDP and Iraqi forces on Saturday.

Mr Jalal Talabani, PUK leader, claimed from the eastern Kurdish city of Sulaimaniya that KDP peshmerga guerrillas were attacking but did not specify where. According to other accounts, there were PUK-KDP clashes near Arbil and close to the Iranian border.

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Warren Christopher with Malcolm Rifkind in London yesterday. Only the British are backing US policy in Iraq Reuter

Palestinian stock market to start soon

By Ilene Prusher in Nablus, West Bank

Palestinian entrepreneurs are hoping they can again turn the ancient West Bank town of Nablus into the trade centre it was centuries ago when trading begins soon on the Palestine Securities Exchange (PSE).

The PSE, a continuous, online exchange, has the facilities and staff to start, but awaits an opening date from the Palestinian finance ministry.

The PSE's founders, a share holding company called Padico (Palestinian Development Investment Company) and Samed, a PLO-owned company, see more to economic progress than world charity, day labour in Israel and agricultural exports.

Like the early Zionist movement's drives to attract Jewish funds from abroad, the Palestinian Authority has been actively recruiting rich expatriates to help build their economy.

Since Israel and the PLO reached an interim peace accord three years ago, wealthy Palestinians have sought venues by which to both prosper and be patriotic.

But with political uncertainty and few means to monitor investments from afar, many financiers have either shied away or put their money into real estate.

Mr Safwan Bataina, PSE's general manager, says investments would be safer and more conducive to economic growth. "You need equity and debt capital to build up an economy," he said.

Recruited from Amman, Mr Bataina said the PSE is hiring nearly all its traders from the ranks of Palestinians with experience abroad.

Since there is no Palestinian currency, shares will be listed primarily in Egyptian pounds, Jordanian dinars, or Israeli shekels. The small but high-tech stock market that took just $2m to build has a potential market capital of $700m, projected to grow to $2bn by the end of the decade.

The right-wing government of Mr Benjamin Netanyahu opposes Palestinian statehood, but Israeli officials say they want to raise their neighbours' living standards and will not oppose the PSE if it does not violate the Oslo accords.

● The Palestinian Authority rejected an Israeli proposal to present a joint position to the conference of donor countries due to open in Washington yesterday, Mr Dan Meridor, Israeli finance minister, said.

Mr Meridor said he had proposed at a recent meeting with Palestinian minister of economy and trade Maher Al-Masri that the two sides present a joint position, but was "surprised" to receive a negative answer a day later. He did not specify details of his proposed position.

How the Kurds were stranded by history

Edward Mortimer describes a people fighting for a state of their own on three fronts

Although the 4m Kurds of Iraq are the ones that make most news internationally, they constitute at most one-sixth of the total Kurdish population in the Middle East.

That population is "probably in the order of 24m-27m," according to Mr David McDowall, a British specialist on Middle East affairs whose long-researched history of the Kurds* appeared earlier this year. About half of those, at least 12m, live in Turkey, where they form about 23 per cent of the population. For the past 12 years the Kurdistan Workers' Party (PKK) has been fighting for control of south-eastern Turkey.

Last year, Turkey sent up to 35,000 troops into northern Iraq in pursuit of PKK fighters; and yesterday it showed all the signs of launching a new attack, this time aimed at turning a narrow strip of land on the Iraqi side of the frontier into a "danger zone" or security cordon, to prevent further "terrorist" infiltrations.

There are also about 5.7m Kurds in Iran. There they briefly set up an independent republic in 1946, and organised themselves as an autonomous region after the fall of the Shah in 1979, only to be crushed by the forces of the late Ayatollah Khomeini. But the Kurdistan Democratic Party of Iran (KDPI) remains active, with bases in northern Iraq. Several of its leaders have been assassinated in Europe in recent years, apparently by hit squads sent from Tehran, and in July Iranian troops entered Iraq to attack its base at Khoi Sanjaq.

More than 2m Kurds live elsewhere: in Syria, Europe and the former Soviet Union. But the great majority live in the mountainous region straddling Turkey, Iran and Iraq. It is in these three countries that Kurds have played a major political role in recent decades.

The Kurds are sometimes described as "the world's largest ethnic group without a nation", or "the world's largest nation without a state", but such formulae beg the question of what makes a nation. Kurdish nationalists would claim to be united by a common language – related to, but distinct from, Persian, and divided into several dialects. Some linguists categorise the different forms of Kurdish as separate languages. A further problem is that the same language, or dialect, can be written in different scripts: Latin in Turkey, Cyrillic in the ex-Soviet Union, Persian in Iraq and Iran.

What is clear is that the Kurds missed out on the great period of state formation in the Middle East, which came with the break-up of the Ottoman Empire after the first world war. Though the Treaty of Sèvres (1920) offered them the chance of forming a state, this was replaced, after the victories of Mustafa Kemal Atatürk, by the Treaty of Lausanne (1923) in which they were not mentioned.

The Kurds had long been a frontier people between the Ottoman Empire and Iran. They now found their lands further divided, with the north-western ones becoming part of the Turkish republic and the south-western ones part of Iraq, a predominantly Arab state.

Iraq's rulers formally recognised a Kurdish identity after the overthrow of the monarchy in 1958. But there has been constant conflict between the Iraqi state, increasingly centralised and totalitarian since the Ba'ath party came to power in 1968, and the Kurds with their mountain tribal traditions and growing self-awareness as a potential nation.

In Turkey until very recently, the state denied Kurdish identity in any form, and stamped on any public expression of it. Even today there is no education in Kurdish, and it was only two months ago that the government announced the creation of an official Kurdish television channel, in an attempt to counter the growing influence of the London-based Med-TV.

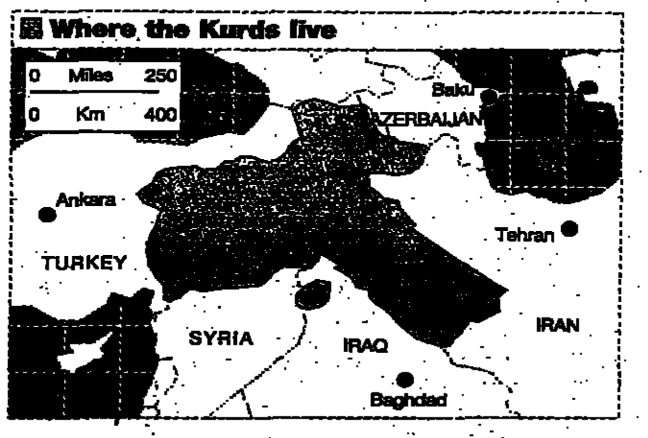
Kurdish nationalists in all three countries have two big dilemmas: should they struggle for an independent state, or content themselves with autonomy? Should they show solidarity with each other against all three states, or seek to exploit divisions between their oppressors? In their hearts they would like to choose the first alternative in each case, but *realpolitik* has generally obliged them to choose the second.

In both Iraq and Iran, Kurdish parties have consistently said they seek no more than autonomy, within a broader democratic state which unfortunately has yet to be established in either country.

In Turkey, the PKK demanded an independent state until 1993, when it switched to demanding autonomy, though the Turkish authorities still routinely describe it as "separatist".

As for solidarity, it has usually been little more than a slogan. All too often Kurdish parties in different countries have found themselves actually fighting each other, in order not to alienate their backers in neighbouring capitals.

Where the Kurds live



A Modern History of the Kurds, David McDowall, I B Tauris, £24.95.

INTERNATIONAL NEWS DIGEST

$850m oil bonus for Nigeria

Higher oil prices brought a $850m bonus for Nigeria's military government, but it still recorded a deficit in the first six months of the year, it was revealed yesterday. Mr Anthony Ani, the finance minister, said the government received $3.49bn from crude oil sales against a budgeted figure of $2.64bn. He said the average selling price had been $19.43 a barrel instead of the budgeted $16 a barrel.

Mr Ani's announcement does not explain why the government posted a small unbudgeted deficit for the same period, as opposed to the forecast surplus. Analysts believe the unbudgeted expenditure is partly accounted for by a big contract awarded to China for modernising Nigeria's railways and big imports of petroleum products because the state-owned refineries are operating well below national demand. *Foreign Staff, London*

Iran-Kenya trade accord

Iran yesterday offered to throw its weight behind Kenya's energy, industry and farm sectors by installing power stations, building storage facilities for liquefied petroleum gas and repairing roads.

In a joint memorandum of understanding signed by Mr Kalonzo Musyoka, Kenyan foreign minister, and Mr Yahya Al-Eshaq, the Iranian commerce minister, Iran also offered to help train Kenyans and open avenues for trade in Iran and the Gulf region.

The memorandum said Kenya and Iran agreed to boost bilateral co-operation and trade and expand ties between Kenyan and Iranian banks. Iran said it would supply equipment and engineering to expand Kenya's electricity and water supplies. *Reuter, Nairobi*

Madagascar president to quit

Madagascar's president said yesterday he would step down next month, ending two years of political squabbling with a hostile parliament that sought to oust him.

President Albert Zafy said he would resign on October 10, announcing the move an hour after the Indian Ocean island nation's top court upheld a move by lawmakers to force him from office.

The former French colony's National Assembly, angered at a 1995 presidential referendum that significantly diminished its powers, voted a month ago to oust Mr Zafy.

Madagascar's High Constitutional Court said Prime Minister Norbert Ratsirahonana would serve as chief executive in the interim. Friction between Mr Zafy and parliament dates to 1994, when he and then-prime minister Francisque Ravony balked at an economic overhaul ordered by the IMF and the World Bank as a condition for future financial aid. *AP, Antananarivo*

Uzbekistan hit by shortage of hard currency

Small traders and big investors have been able to convert only a fraction of their revenues

By Sander Thoenes in Tashkent

Investors and traders in Uzbekistan have been hit by an unprecedented shortage of hard currency, putting pressure on the country's go-slow approach to reforms.

Since April both small traders and the country's main investors have been unable to convert more than a fraction of their revenues in Som, the local coin, back into hard currency. Even BAT Industries, the country's second largest investor, says the Uzbek Central Bank has sold it only $1.5m since January, while BAT's cigarette and tobacco fermentation plants need at least $7m in hard currency just for basic imports.

"It's happened in fits and starts," said Mr Simon Martin, BAT's finance controller in Tashkent. "It's quite common to use bureaucracy as a means of rationing. You change the forms each week, or you add on new requirements. If it all goes smoothly you can count on 60 days."

Uzbekistan has been alone in the former Soviet Union in keeping its currency at an artificially high exchange rate, illustrating the slow pace of reform in this Central Asian republic of 22m. But a rise in trade, following moves to encourage foreign investment, is putting the Som under increasing pressure; Uzbekistan sold twice as much hard currency this spring as last year but demand has risen even faster.

"From one point of view it's a positive sign," one senior official said. "It shows that trade is growing. But it's an obstacle to further development of foreign trade with Uzbekistan. Only a free exchange of the Som can solve this problem."

The Uzbek government has declined to explain the conversion crunch but western investors and bankers blame Uzbekistan's negative trade balance of $348m for the first half of 1996. Although it has a sizeable hard currency reserve, western bankers say that the government has not used it for fear of sparking inflation.

Imports exceeded exports when the price of cotton, the country's main source of revenue, dropped in the spring. Last year's domestic grain harvest, the main import commodity, failed to meet high expectations.

In both cases, analysts say, the government was slow to respond, partly because mid-level officials were afraid to break the bad news to the president.

"The whole system is based on telling the boss good news and hoping he never finds out the truth," one British businessman in Tashkent said. By the time President Islam Karimov did find out, grain prices had hit a record high and cotton prices had dropped even further.

Free trade arrangements with Kazakhstan have put the Som under strain as well.

Some Uzbeks are making a fortune importing western consumer goods at the artificially low dollar exchange rate, selling them in Kazakhstan, converting revenue to dollars and then converting fictitious Som revenue back into dollars at the official low rate.

The black market rate of the Som has dropped faster than the official rate and the difference is now more than 50 per cent.

Investors in Uzbekistan have little hope that the government will float the Som in the near future. One official said the government would first need to raise import tariffs on consumer goods; a politically sensitive move in a country where prices and wages have been kept artificially low.

The official predicted convertibility in 1997, but that may be too late for many of the small investors who make up the bulk of Uzbekistan's limited investment flow.

The shelves at the Dutch-owned Holland Market, which gained instant fame in Tashkent when it opened earlier this year with 17 different kinds of Dutch cheese, gradually emptied out for lack of hard currency to pay for new supplies. Only in August did the government grant priority access to hard currency reserves for food importers.

"The convertibility problem is killing us," says Mr Willem Visser, general director of Martens Trading, which owns 80 per cent of the Holland Market. "If this convertibility problem continues everybody will walk out."

Hashimoto urged to hold snap election

By William Dawkins in Tokyo

Mr Ryutaro Hashimoto, the Japanese prime minister, yesterday came under pressure from his Liberal Democratic party to call a snap general election late next month.

He remained non-committal to a recommendation to call a poll from a meeting of LDP members of parliament, according to television reports. The government, which took office in January, is not obliged to seek an election until next July. But political analysts in Tokyo believe Mr Hashimoto will not wish to allow uncertainty over his intentions to persist indefinitely.

A growing number of LDP politicians wants to call a poll in the autumn for several reasons. Support for all the main political parties is declining and the LDP's waning popularity is likely to fall further after the imposition of a rise in sales tax next April; LDP party funds are running low; and a referendum on the southern island of Okinawa next Sunday is expected to embarrass the government by producing a majority against US bases there.

The outcome of the Okinawa referendum is likely to drive a wedge between the LDP and its coalition partner, the Social Democratic party. Given the vital strategic importance of the US military presence there, the LDP will have no choice but to ignore the Okinawa result, say government officials, thus offending the SDP's pacifist instincts.

On this argument, many in the LDP believe it should go to the polls before the situation becomes untenable. While the government's popularity is low – 31 per cent according to the latest opinion survey – it is still well ahead of the opposition New Frontier party, with 7 per cent. The proportion of undecided voters has risen by 10 percentage points over the past six months to 50 per cent.

Some Japanese political experts believe Mr Hashimoto has equally good reasons to wait. The government is planning to make a decision on a public spending package in the next few weeks, which would distract attention from the unpopular sales tax rise, and will then embark on the formation of next year's budget, an opportunity to reward influential interest groups.

Most observers assume the LDP will strengthen its grip on power after the next election, completing its recovery from a year in opposition, which ended in the summer of 1994. But there is an element of uncertainty to the election outcome, because the poll will be held under a new system, a mixture of single-seat constituencies and proportional representation, intended to be more competitive than the previous multi-seat districts.

Hashimoto: LDP MPs want his hand up for quick poll AP

Seoul hits impasse over OECD entry

By John Burton in Seoul

South Korea appears to have reached an impasse in its drive to join the Organisation for Economic Co-operation and Development this year, with the club of advanced industrial nations criticising Seoul's proposed financial liberalisation programme as unsatisfactory.

Mr Christian Schricke, senior OECD legal counsel, told officials in Seoul this week Korea would have to accept a wider opening of its capital market. Seoul said it could offer no more concessions because of domestic political opposition.

The criticism conveyed by Mr Schricke, in Seoul to discuss a draft accord on OECD membership, is likely to raise pressure for new concessions before the OECD governing board meets this month to decide on Seoul's membership.

The dispute centres on the pace of financial liberalisation, including the opening of the bond market and abolition of restrictions on capital flows. The OECD is demanding a firm schedule for these measures, while Korea wants the speed of deregulation to be determined by economic preconditions that could take years to achieve.

Under a "final" offer submitted in July, South Korea said it would not accept the complete opening of the bond market and the liberalisation of capital flows until the gap between high domestic interest rates and low foreign ones narrowed to 2 percentage points from its present 6-7 percentage points.

Seoul argued rapid liberalisation would lead to huge capital inflows attracted by high domestic rates. This would add to inflationary pressure and lead to an appreciation of the currency to the detriment of Korea's export industries.

Opponents of "hasty" OECD membership, including the opposition parties and most of the media, also claim liberalisation would make Korea heavily dependent on foreign capital and leave it vulnerable to a financial crisis, such as occurred in Mexico in 1994, if "hot" speculative money left the country.

Korea's worsening economic performance, including a record current account deficit and rising inflation amid a slowdown in growth, has increased public opposition to OECD membership in recent weeks.

The government is becoming worried that even if it is admitted into the OECD, the ratification of the agreement could be blocked by the national assembly.

Signs of unease grow in Beijing over the economy

'The macro side is excellent, but the micro is terrible'; this is the message China's leaders are almost certainly receiving

By Tony Walker in Beijing

Signs of unease are growing in Beijing about weakening demand, increasing unemployment and a wretched first half for the state sector. This is despite the fact that China's leaders may have been congratulating themselves on achieving a "soft" landing for the economy after problems of overheating in 1993-94.

Indeed, China may be facing a bumpier economic landing than had been anticipated, with growth slowing and unemployment keeping up its inexorable rise. Political manoeuvring in the lead-up to next year's Communist Party Congress appears to be weighing on reforms.

Chinese and western economists have begun to sound the alarm about apparent slowing activity; scepticism is widespread about official growth figures for the first six months, showing a GDP rise of 9.8 per cent.

The representative in Beijing of an international lending institution says growth is nearer 7 per cent, taking into account rapid build-up of stocks amounting to some 5 per cent of GDP. "The government is too cautious. It should do more on the demand side, such as encouraging capital works projects in the power sector," he added.

Since mid-1993, when it instituted a credit squeeze to slow economic growth and curb inflation, which reached a post-1949 high of 21.7 per cent in 1994, the leadership has squeezed investment in fixed assets, deferring capital works projects and puncturing a real estate boom.

China's leaders seem to be holding to their "fight inflation first" strategy, though they have clearly become concerned about slowing activity. China has instituted two rounds of interest rate cuts, the first in May and the second in August, bringing lending rates down by more than two percentage points.

Chinese officials have begun to talk about the need to stimulate specific sectors. Mr Zhu Rongji, vice-premier in charge of the economy, has said housing should become a "new growth pole", providing stimulus to producers of steel and building materials.

China's ability to drive the housing sector forward is constrained by lack of mortgage facilities and absence of a mechanism to allow lending institutions to evict borrowers who default on repayments. But its high savings rates – individual bank savings at the end of June were 38.7 per cent higher than last year at $427bn would seem to be able to support widespread home ownership.

Concern over flat consumer demand has been manifested in steps taken recently to boost the flagging car market. The State Planning Commission issued a notice last month cancelling restrictions by regional authorities on the use of small cars.

Beijing, for example, banned vehicles with engines below one litre from the city's roads on alternate days: odd-number licence plates were allowed one day and even-number plates the next. Stockpiles of saloon cars, mostly small runabouts, were up 233.7 per cent to 19,600 in the first six months compared with the same period last year. Unsold vehicles rose to 116,000 in June against [illegible] units at the end of [illegible].

First-half figures for listed companies on Shanghai and Shenzhen stock exchanges reflected the continuing sluggishness, with figures worse than expected. Among companies where profits slid was market leader Shanghai Yaohua Pilkington Glass whose net profit fell 66.3 per cent.

Overall, China's state-owned enterprises experienced losses of Yn35bn ($4.2bn) in the first half of the year, about the same as last year.

For China's leaders, anxious the economy should perform strongly in 1997 to coincide with July 1's resumption of sovereignty over Hong Kong, and the Communist Party congress later in the year, the state sector's continuing poor performance is not encouraging.

Officials can take satisfaction from bringing inflation down (retail price inflation was 6.5 per cent in the first seven months), but can be less sanguine about the economy's performance generally. Another concern is rising unemployment.

The official jobless rate at the end of 1995 was 2.9 per cent among urban workers, but in fact numbers out of work is almost certainly nearer 10 per cent nationwide, rising to 20 per cent in the industrialised north-east.

The State Statistical Bureau reported that at the end of March, 7.25m industrial workers were redundant. Western economists expect pressure will increase on the government to provide greater stimulus to the economy. They doubt interest rate cuts will be a sufficient spur, believing credit availability more important.

One economist said: "The economy presents contrasting pictures: the macro side is excellent, but the micro is terrible". China's leaders are almost certainly receiving this same message.

Shell in Philippine power offer

By Edward Luce in Manila

Royal Dutch Shell and Occidental Petroleum have offered to convert the Philippines' mothballed Bataan nuclear power plant into a 1,200 MW gas-fired station.

The offer, which can be matched by others under the country's build-operate-transfer (BOT) laws, did not specify details but is thought to worth at least $1.5bn. "Shell-Oxy's offer is unsolicited and will be matched with other proposals," said Mr Guido Delgado, president of the National Power Corporation (Napocor). "This has been discussed with Shell-Oxy group."

The bid, which would double the plant's capacity, would include the supply of gas from Shell-Oxy's natural gas field in Malampaya, western Philippines, which has reserves of about 12,000bn cubic metres. Shell executives say the Malampaya field could supply at least two other gas-fired power stations providing about 4,000 MW of power a year.

The Bataan nuclear plant, which was closed on completion in the early 1980s after it was discovered to be sited on an earthquake faultline, would take at least three years to convert.

The proposal, which is in tune with the government's strategy of eliminating dependence on imported fuel and shifting to indigenous resources, notably gas, comes 12 months after the government reached an out-of-court settlement with Westinghouse Electric, the original contractor.

Westinghouse, which had been accused of bribing officials to turn a blind eye to questions over the plant's safety, paid the Philippines $100m in the settlement last year including the donation of two $30m gas turbines for power generation. The turbines could be used in the converted plant.

Other interested bidders include Asea Brown Boveri, the Swedish-Swiss group.

Japan proposes environment trade-off

By William Dawkins in Tokyo and Guy de Jonquières in London

Japan is to propose guidelines under which governments could be authorised by world trade rules to use import curbs to enforce multilateral environmental protection agreements (MEAs).

The proposal is an attempt, inspired by Japan's foreign ministry, to forge a compromise among World Trade Organisation members, who are deeply divided over how far WTO rules should reflect environmental priorities.

However, the initiative, to be presented to the WTO's first ministerial meeting in Singapore in December, has so far been greeted unenthusiastically by both industrialised and developing countries.

Many industrialised economies, including the US and the European Union, argue that world trade rules should be required to underpin high environmental standards. However, most developing countries, and some industrialised ones, reject such arguments as covert protectionism.

Japan proposes that countries which have signed MEAs – such as the Montreal protocol banning CFC gases – should be allowed to enforce them by imposing import restrictions, if there is clear scientific evidence of an environmental problem and an "international consensus" in the WTO, an official of Japan's Ministry of International Trade and Industry said. The guidelines would not be binding, he stressed.

A WTO committee is due to report in Singapore on links between trade and environment, including trade provisions in MEAs. However, the committee's members are still far from agreement.

There are fears that differences on environmental policy, along with opposition to US and EU attempts to place trade and labour rights on the WTO agenda, could lead to a showdown at the ministerial meeting.

But Japan's initiative, far from resolving the split, has been criticised by both sides in the debate, though Brazil has backed the idea, the official said.

Some industrialised countries think the compromise is so loaded with conditions that it offers inadequate protection against dumped imports from countries with lower environmental standards.

The EU proposed this year that the WTO set up special procedures which would permit trade measures to be applied in support of MEAs, provided that such measures were found not to involve arbitrary or unjustifiable discrimination.

WORLD TRADE NEWS DIGEST

British to cut Kazakh stake

British Gas is seeking to reduce its 42.5 per cent stake in the giant Karachaganak gas field project in Kazakhstan which may open the door for Mobil and Texaco to invest in the $8bn production-sharing agreement, according to an oil industry newsletter.

FSU Energy reported that British Gas is looking to scale back its overseas operations because of intense competitive pressures in its domestic market but wished to retain a long-term commitment to Central Asia.

Both Texaco and Mobil are believed to have expressed their interest to the Kazakh ministry of oil and gas. Both US companies are already active in the former Soviet Union and are collaborating on a massive oil development project on Sakhalin island in the Russian far east.

The other partners in the Karachaganak consortium are Agip, of Italy, which has a 42.5 per cent share and Russia's Gazprom with 15 per cent. But Gazprom has agreed to sell its stake to Lukoil, the giant Russian oil company, which has other interests in the region.

With 566bn cubic netres of natural gas reserves, the Karachaganak field is potentially one of the biggest gas development projects in the world but has been dogged by bureaucratic and political problems since its conception.

John Thornhill, Moscow

Anam plans $1bn chip plant

Anam, the world's largest semiconductor assembler, is planning to build a $1bn non-memory chip plant in South Korea through a technical agreement with Texas Instruments of the US.

The new plant, which will go into production next year, represents the expansion of Anam's semiconductor business from packaging into manufacturing.

Anam will produce digital signal processor chips that are used in camcorders, audio equipment and other multimedia products. Initial production will amount to 25,000 8-inch wafers a month, but Anam plans to invest an additional $3bn by 2002 to increase capacity.

Although Korea has emerged as one of the world's biggest producers of memory chips, it is still weak in the more lucrative and stable non-memory chip sector.

Anam's entry into the non-memory chip business is in response to the threat of stagnant profits, which reached 23bn won ($28m) last year, as demand for packaging of memory chips has weakened following a fall in the global price for the semiconductors.

John Burton, Seoul

Big rise in EU trade with US

European companies are the top investors in 41 American states, supporting 6m US jobs with $384bn invested, a recent report states.

Trade figures for 1995 indicate that the US and Europe have the world's largest commercial relationship, with $776bn in cross investment and $412bn in two-way trade, nearly 50 per cent greater than trans-Pacific commerce, a study issued yesterday by the European-American Chamber of Commerce noted.

The 1995 figures indicate a significant rise from 1994, when cross investment was $500bn and two-way trade stood at $224bn. European investment in the US is largely focused on the manufacturing sector, accounting for 12.5 per cent of US jobs in this area, the report said. Additionally, US manufacturing exports to Europe exceeded $100bn in 1995 and are described in the report as "crucial to the economic well-being of state economies".

Afshin Molavi, Washington

Poor state that wants to be a big wheel

Sally Bowen reports on Bolivia's hopes to become the continent's trade hub

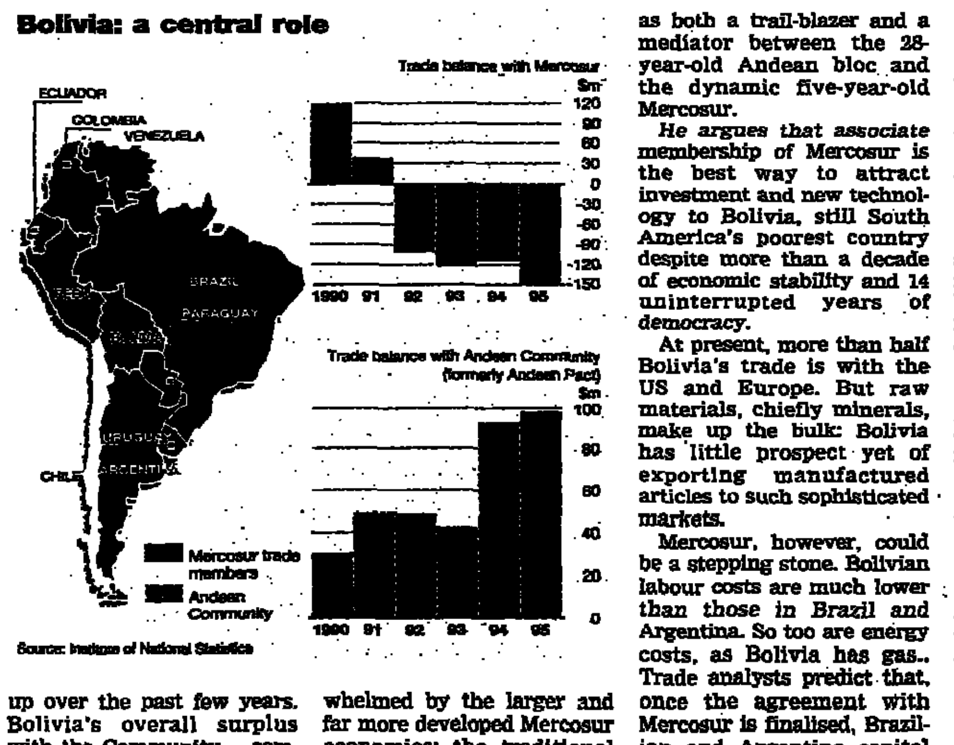
Bolivia has a cherished ambition – to turn itself from a small landlocked country into the energy and trade hub of South America. It may be a tall task but Wednesday's official signing at the Rio Group meeting in Cochabamba of the $1.8bn Brazil-Bolivia pipeline agreement marked a big step towards that goal.

At the signing of contracts between Petrobrás, the Brazilian state oil company, and YPFB, its soon-to-be-privatised Bolivian counterpart, Bolivia's President Gonzalo Sánchez de Lozada proclaimed it "a moment of relief and happiness" in which "everyone is a winner".

Bolivia is not seeking closer ties with Brazil alone. By the end of this month it hopes to have agreed associate membership of Mercosur – the trade bloc grouping Brazil, Argentina, Uruguay and Paraguay.

Bolivia runs a sizeable, and steadily increasing, trade deficit with Mercosur. Exports, especially to the first big two, have dwindled while imports have increased. Last year, Bolivia's trade account with Mercosur was almost $150m in the red.

Trade between Bolivia and its traditional Andean Community (formerly the Andean Pact) partners, on the other hand, has picked up over the past few years. Bolivia's overall surplus with the Community – comprising Peru, Ecuador, Colombia and Venezuela – more than doubled between 1993 and 1995. "Non-traditional" exports, largely soya and other agricultural products to Peru and Colombia, account for most of the increase.



Source: Instituto of National Statistics

Bolivia's new enthusiasm for Mercosur might therefore seem surprising. Many local businessmen fear being overwhelmed by the larger and far more developed Mercosur economies: the traditional links are in their better interests, they argue.

But Bolivia's policy-makers disagree. "The Andean Community is our present and maybe its importance will continue for the next five years," says Mr Victor Rico, secretary for international economic relations at the foreign ministry. "Mercosur is the future."

Mr Rico envisages Bolivia as both a trail-blazer and a mediator between the 28-year-old Andean bloc and the dynamic five-year-old Mercosur.

He argues that associate membership of Mercosur is the best way to attract investment and new technology to Bolivia, still South America's poorest country despite more than a decade of economic stability and 14 uninterrupted years of democracy.

At present, more than half Bolivia's trade is with the US and Europe. But raw materials, chiefly minerals, make up the bulk: Bolivia has little prospect yet of exporting manufactured articles to such sophisticated markets.

Mercosur, however, could be a stepping stone. Bolivian labour costs are much lower than those in Brazil and Argentina. So too are energy costs, as Bolivia has gas. Trade analysts predict that, once the agreement with Mercosur is finalised, Brazilian and Argentine capital will be eager to enter Bolivia, where conditions for foreign investors are favourable. According to Mr Rico, Bolivia could carve a niche in manufacture of car parts for the new Toyota plant at Zarate, in Argentina, for example.

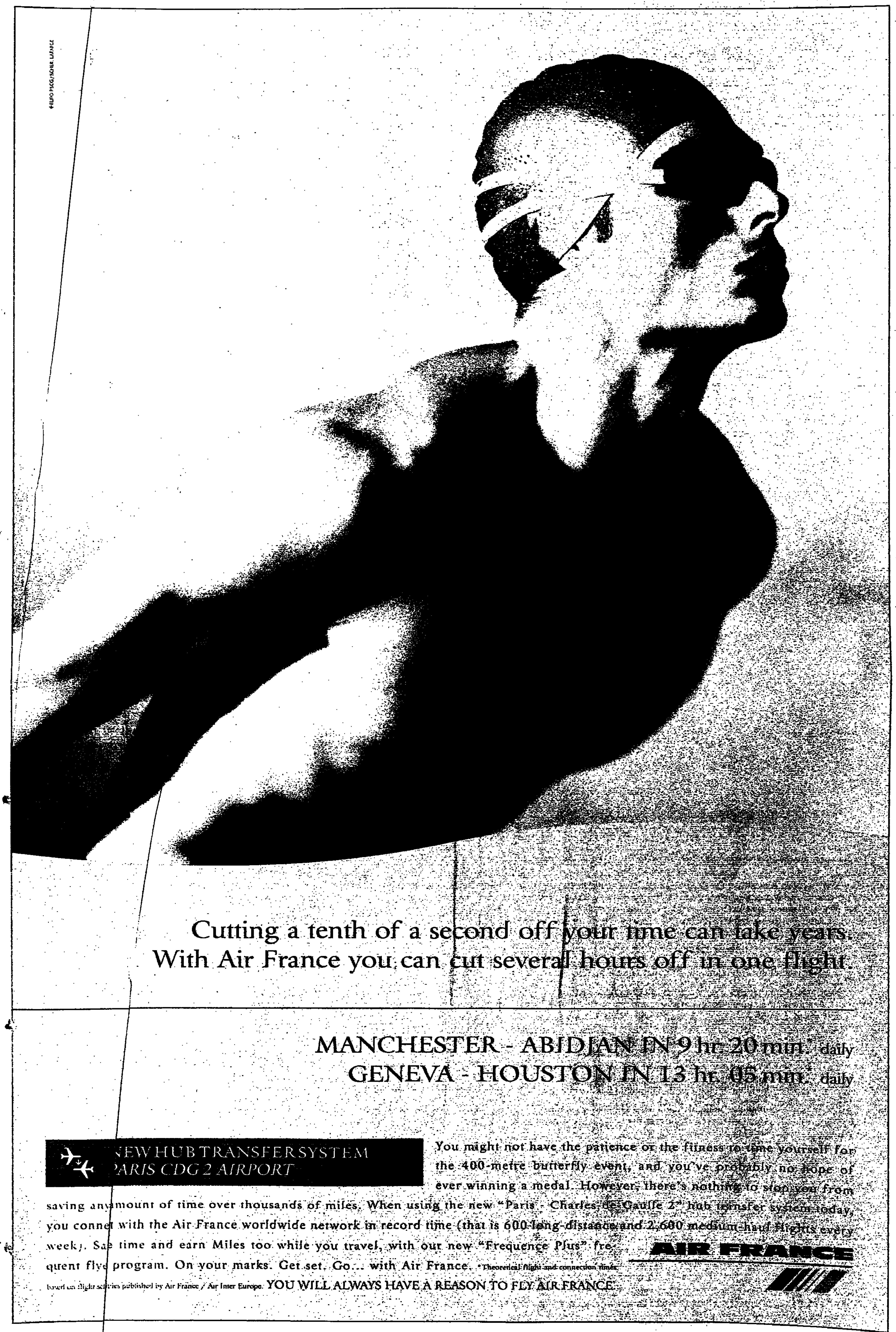
One Bolivian entrepreneur taking advantage of the strategic geographical position is Mr Juan Ortega, of Soft Drink Services, the local Coca-Cola subsidiary. Mr Ortega is expanding from bottling for the local market into canning for export – by early 1997, he hopes.

"Studies show our costs are 30 per cent lower than Argentina's and 20 per cent lower than Chile's," he says. "The Brazilian market for soft drinks is growing enormously and we believe membership of Mercosur will mean an immediate 50 per cent drop in tariffs."

Mr Ortega sees Bolivia's future as a "point of re-export" for high-cost Argentine and Brazilian companies to gain access to the Andean Community market. "It's a great opportunity for Bolivia to capitalise on its position as a hinge."

As well as canned Coca-Cola, Mr Ortega is evaluating export of juices and concentrates. His market, he says, will be the hinterland of neighbouring countries. Northern Chile and Argentina, south-west Brazil and southern Peru are far closer to La Paz than to their own capitals.

Until recently, under-developed infrastructure has hindered increased trade. Even the highway linking dynamic Santa Cruz to La Paz was not fully paved. But Bolivia is spending heavily on upgrading roads and other transport facilities to open up trade with its neighbours.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São Paulo's wheeze fails to clear the air

Pollution and congestion have returned after a month's experiment. **Jonathan Wheatley** reports

Getting about in São Paulo is once again a frustrating, unhealthy experience this week after a month of strangely uncongested roads and comparatively unpolluted air.

During August, private motorists in South America's biggest city were made to leave their cars at home for one working day a week, determined by the final digit of their licence plates, or face a fine of R$100 (about US$100). The aim was to help Paulistanos breathe more easily during what is often the most polluted month, when cold temperatures make polluting gases hug the ground.

The scheme, known as the *rodízio*, was modelled on a one in Santiago, Chile, between April and September that has reduced pollution significantly. There, however, the restriction applies only on days when pollution peaks.

A full-time programme in Mexico City failed in part because drivers found ways round it, such as buying old and highly polluting vehicles for use when their main car was grounded. Two World Bank economists, Gunnar Eskeland and Tarhan Feyzioglu, found the one-day-a-week ban "counter-productive" and increased car use.

Organisers of the São Paulo scheme claim success. Cetesb, the state environment agency, says the scheme was respected by 95 per cent of motorists and pollution fell by an average 14 per cent in the month. But it also met criticism.

"This is eco-fascism," said Mr Fernando Pinheiro Pedro of the environment commission at the Brazilian lawyers' association, the OAB. "The state government is using pyrotechnics as a cover for its incapacity to deal with the problem properly."

Objections were also raised by Cetesb's employees. Technicians say the scheme cut vehicle emissions by much less than its organisers claim because many of the most polluting vehicles, such as diesel trucks and buses, were exempt. Ms Elizabeth Avelino, president of Cetesb's staff association, said the state should concentrate on other measures, such as ensuring that vehicles' engines are properly tuned.

There is no disagreement on the need to cut traffic emissions. Motor vehicles are responsible for more than 90 per cent of the estimated 3m tons of polluting gases and particles deposited into São Paulo's air every year. Studies by the faculty of medicine at São Paulo University show that deaths from respiratory sicknesses in the over-65 and under-five age groups rise by 13 per cent in winter months, and that 36 per cent of deaths in under-fives are caused by these sicknesses.

Part of the problem is that, while São Paulo's fleet of 5m vehicles is growing by 250,000 a year, few old vehicles are replaced. The fleet's average age is 11.2 years; trucks are an average 14 years old. This means many engines are poorly tuned and belch black smoke.

One programme under preparation will make annual renewal of vehicle licences dependent on engine maintenance. Cetesb says this would cut vehicle emissions by 30 per cent. Critics say the programme has been sidelined because it is less immediate and much more expensive than the traffic scheme.

Other possibilities include converting buses and taxis to run on natural gas or ethanol, both much cleaner fuels than petrol or diesel. The state government is also studying ways of encouraging greater use of public transport.

One difficulty, said Mr Fabio Feldman, São Paulo state environment secretary, is that public transport is spurned by the middle classes, who see it as being "for the poor". Although the *rodízio* reduced car use by 20 per cent, it caused a much smaller move to public transport; rather than get on a bus, most car owners changed schedules, arranged a lift or used a second vehicle.

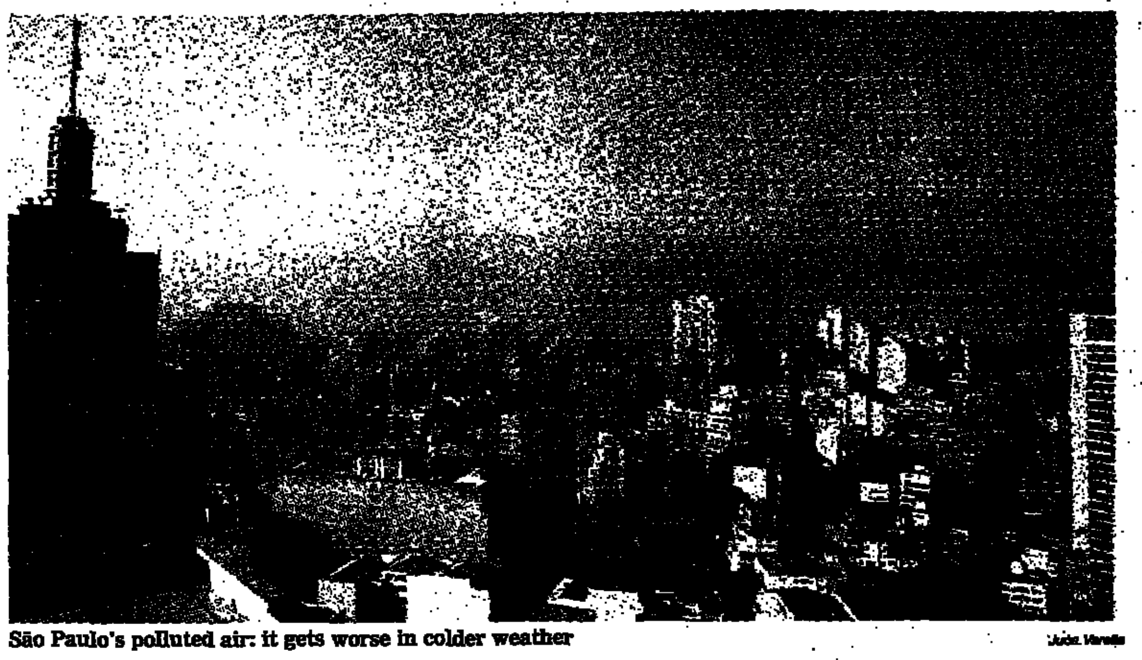
Natural gas and alcohol present their own problems. Reliable supplies of gas cannot at present be guaranteed. Producing alcohol is itself a polluting process: sugar cane must be burnt before it is cut, to protect harvesters from razor-sharp foliage, a process that dumps tons of particles into the atmosphere. Converting to automatic harvesting machines would cost between 500,000 and 800,000 jobs in São Paulo state alone.

Mr Feldman says vehicle use could be cut overnight by taxes on fuels. Car use has risen sharply since introduction of a new, stable currency in July 1994 cut the real price of road fuel. But this and other nationwide policies are hard to implement, he says, because of lack of co-ordinated action between environment agencies at municipal, state and federal level.

Regulations covering emission standards for new vehicles, along with the use of alcohol as an additive to petrol, have succeeded in cutting vehicle emissions of carbon monoxide, for example, by almost 80 per cent since 1980; lead emissions have been cut almost to zero. But the reductions have failed to keep pace with the rising volume of vehicles in the city.

It was the volume of vehicles that was most noticeably affected by the *rodízio*. For a few weeks, São Paulo's constantly congested avenues were eerily free of jams. Since Monday, the congestion has returned with a vengeance.

But the scheme failed to make a big dent on pollution. Though Cetesb's own estimates show average pollution levels fell, they also show that on some days, the volume of some pollutants rose, particularly in the scheme's first, coldest week. Until longer-term solutions are found, it seems Paulistanos will continue to suffer from irritated eyes and throats and worse.



São Paulo's polluted air: it gets worse in colder weather

Senior aides quit Dole's campaign

By Jurek Martin in Washington

Two experienced senior advisers yesterday resigned from Mr Bob Dole's presidential campaign team, in a further indication of the deep difficulties facing the candidate, who is running as much as 20 points behind President Bill Clinton.

Mr Don Sipple and Mr Mike Murphy, who had been in charge of media advertising, left rather than accept greater direction from Mr Scott Reed, the campaign manager, according to Mr Dole's press secretary.

Mr Nelson Warfield said the parting of the ways was amicable and both had declined an offer to stay in more subordinate capacities. "It was more of an organisational decision," he said.

They left the day that new political TV commercials they had produced began to be aired. One is an unusually long five-minute advertisement, a condensed version of the sentimental film about Mr Dole's life shown during during last month's Republican convention.

Staff shake-ups are by no means unusual in a campaign. Last week Mr Clinton lost Mr Dick Morris, the political strategist, to a sex scandal. Early in 1980, then candidate Ronald Reagan ditched Mr John Sears, his highly regarded campaign manager, before the New Hampshire primary sent him en route to the White House.

Mr Dole has reshuffled his team before, bringing in veteran political operatives such as Mr Ken Kachigian, the Ld Reagan hand from California, as well as Mr Sipp earlier this year. But his deficit is now so large with barely two months to go before election day that it is hard to avoid the inference that the latest move smacks of desperation.

Mr Sipple and Mr Murphy are being replaced by three other well-known Republican media experts who, according to Mr Warfield, will be more closely integrated "into the campaign structure".

Exactly what new punch they bring to Mr Dole's image or whether they focus more on Mr Clinton's presumed "character" problems remains to be seen. But at just the new team will be strapped for cash than their predecessors, following the candidate's acceptance of about $62m in federal funds after his nomination became official last month.

Mr Dole has a kitchen cabinet of trusted advisers, including Mr Don Rumsfeld, the former Republican cabinet secretary, Mr Robert Ellsworth, who had served in previous Republican administrations, and Mr Robert Lighthizer, the Washington trade lawyer.

But day-to-day management is by Mr Reed, former senior aide to Mr Dole's running mate, Mr Jack Kemp, when he was housing secretary, and Mr John Buckley, the communications director, now more established in authority than before.

Hollywood sees ticket sales tailing off at season's end

By Christopher Parkes in Los Angeles

The sun set early on Hollywood's box office summer this year, in spite of a whirlwind start with Twister and the record-breaking mid-season performance of Independence Day.

Ticket sales tailed off during the closing weeks of the peak cinema-going period while the Olympic Games were televised.

Studios are unlikely to draw much comfort from estimates that a new box office record of about $2.2bn was set between May 10 and last weekend's Labor Day holiday – the official end to the season.

This figure, suggesting a 3 per cent rise in the gross take, will be compared against an increase of almost 10 per cent in the number of films released in the domestic market, and a 0.5 per cent slip in the number of tickets sold.

However, better news may be expected in the coming months as the film-makers add up the revenue streams coming from foreign theatres, video releases and sales of this summer's crop to television networks.

ABC, for example, part of the Walt Disney group, last month bought rights to 11 Warner Bros films in one of biggest deals so far this year. Although the cost depends on the films' ultimate box office results, earlier TV agreements have broken new ground this year.

Rights to Paramount's Mission: Impossible and Warner Bros' Twister, for example, are believed to have been sold for $20m apiece.

The home video version of Fox's Independence Day, which grossed more than $280m in its first nine weeks, goes on sale in mid-November in good time for holiday gift-shoppers, and in competition with a powerful range of competitors.

Despite disappointments with its Hunchback of Notre Dame, which is falling far short of expectations heightened by The Lion King and *Aladdin*, Disney has held its lead in terms of summer market share.

With a 22 per cent slice of the market, its Buena Vista distribution arm was almost 2 percentage points ahead of Warner Bros, according to Daily Variety, the industry newspaper. Independence Day boosted Fox – part of News Corporation – into third place with 17 per cent.

Among the also-rans, MCA's Universal found success with a remake of the Jerry Lewis hit, The Nutty Professor. Dragonheart made a modest impact on family audiences, while Flipper flopped.

AMERICAN NEWS DIGEST

Thousands flee Hurricane Fran

With memories of Hurricane Hugo's devastation still fresh, thousands of residents and tourists in South Carolina fled inland yesterday to escape from Hurricane Fran. Fran was expected to hit the south-eastern US coast at Georgetown, South Carolina, about 80km north of Charleston, at midnight last night. A hurricane warning extends from north of Brunswick, Georgia, to the North Carolina-Virginia border. On Wednesday afternoon, Governor David Beasley called out the National Guard and ordered half a million people evacuated from the coast.

With winds approaching 210kph, the storm is as big as Hurricane Hugo in 1989 and has the potential to be as strong, according to the National Weather Service. Hugo caused almost $8bn in damage and killed 35 people as it tore through the Caribbean and up the East Coast. Most of the damage was in South Carolina. *AP, Charleston*

Mexican ruling party denial

The Mexican government was embarrassed yesterday by the publication of photographs which appeared to link a hardline governor of the ruling Institutional Revolutionary party (PRI) to a belligerent new guerrilla group.

Mr Dionisio Pérez Jácome, a government spokesman, said there was no evidence to link members of his party to the Popular Revolutionary Army (EPR), which killed 16 people in attacks last week.

The photograph published in yesterday's papers, however, shows Mr Roberto Madrazo, controversial governor of Tabasco state, at a political rally last year, flanked by two men who were arrested on Monday on suspicion of being EPR rebels. Mr José García Marín, one of the detained guerrilla suspects, denies being a rebel, saying he has been a member of the PRI for 22 years. Mr Madrazo also denied any ties to the new guerrillas.

The denials cut little ice with opposition leaders, who called yesterday for a full investigation into the "suspicious links" between the ruling party and the EPR. *Leslie Crawford, Mexico City*

US to tighten airport security

The US government is putting together airport security measures including computer profiling of passengers, to help identify potential terrorists, and new advanced bomb-detection equipment, according to officials. The recommendations come from a panel created by President Bill Clinton after TWA flight 800 plunged into the Atlantic Ocean on July 25, killing all 230 people on board. Law enforcement officials suspect a bomb brought the jumbo jet down, although investigators have yet to pinpoint evidence that would conclude definitely it was an act of terrorism.

In the aftermath of that tragedy, Mr Clinton appointed Vice President Al Gore to chair the panel and ordered it to report within 45 days on ways to increase security at the nation's airports and airlines. According to industry officials familiar with the panel's recommendations, the administration plan calls for:

☐ Putting advanced bomb-detection devices at more than 50 of the nation's busiest airports at a cost of about $1m apiece.

☐ Spending $100m, split between government and industry, for research and development of improving bomb detectors.

☐ Establishing a new computer profiling system aimed at identifying air travellers who might be suspected of terrorism. Under the passenger tracking system, airlines could identify travellers whose routes and travel patterns raise suspicion. *AP, Washington*

Congress starts last session before elections

By Jurek Martin

The US Congress returned to session this week mostly intent on disposing of routine budgetary business before allowing members to return home by the end of the month to start running hard for re-election.

The official adjournment date remains October 4 but the House Republican leadership, in particular, is pressing for an earlier departure of September 27 or 28. The Senate, which moves at a more stately pace, could stay open for a few days longer.

Republican leaders in both chambers have no plans to help Mr Bob Dole, the party's presidential candidate, by trying to ram through the tax cuts which are a central part of his election platform.

Three Republican senators may introduce his 15 per cent across-the-board reduction on to the floor but they concede the gesture will be purely symbolic and will only be presented after consultation with the Dole campaign.

In fact, in midwestern campaign appearances this week, Mr Dole has noticeably watered down the language he had been using in favour of lower taxes, previously presented as the key to a prosperous future and revitalised economy. On Wednesday in Iowa he described his proposed $550bn in cuts as "only a very small percentage" of a $7,000bn economy.

Opinion polls – and the "listening to America" question-and-answer forums that have been a feature of his latest campaign round – have shown a public sceptical that deep tax reductions can be brought about without widening the federal deficit or slashing federal social programmes.

The principal order of congressional business is likely to be approval of the 13 departmental appropriations bills, only two of which are now in legislative form. Agreement on all the remainder is improbable and some "continuing resolutions" keeping the government temporarily funded are therefore likely.

The Republicans, struggling to retain control of both houses, want to avoid at all costs what proved for them a debacle last year – the partial closure of the government because of the budget impasse.

The most controversial outstanding order of business is the bill curbing illegal immigration, still threatened by a presidential veto if provisions denying state education to the children of illegal aliens is retained.

So deep are the cross-party disagreements that the House has been unable so far to name its members of the joint conference committee with the Senate that must approve a final bill.

Whitewater witness may face jail term

Prosecutors investigating the Whitewater affair have held Mrs Susan McDougal in contempt for refusing to tell a grand jury whether President Bill Clinton lied at her trial. AP reports from Little Rock. If Mrs McDougal, the president's former partner in the Whitewater property development, does not answer questions by Monday, she could be sent to jail for up to 18 months.

Mrs McDougal said a Whitewater prosecutor had asked her whether Mr Clinton knew anything about a fraudulent $300,000 loan, some of which went toward the purchase of land for the Whitewater venture. In a statement Mrs McDougal, she said she did not want to testify because she could be charged with perjury if her truthful testimony was inconsistent with that of other witnesses or conflicted with prosecutors' perception of the truth. Also, she argued, she should not be compelled to answer the questions of Whitewater prosecutors in a proceeding closed even to her lawyers.

Mrs McDougal and her former husband, Jim, were partners with Mr Clinton and his wife in the Whitewater development project from 1978 until shortly before Mr Clinton was elected president in 1992. The McDougals, along with former Governor Jim Guy Tucker, were convicted on May 28 on bank fraud and related charges. Mrs McDougal, was sentenced to two years in prison in connection with a $300,000 loan she received from Mr David Hale who once accused Mr Clinton of putting pressure on him to make the loan.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday September 6 1996

IN BRIEF

Elf Aquitaine advances 24%

Elf Aquitaine, the French oil, chemicals and drugs group, reported a slightly higher than expected 24 per cent advance in half-yearly income to FFr3.56bn ($700m), buoyed by high oil prices and increased oil and gas production. Page 17; Anglo-Saxon gloss on French oil results, Page 17

Farm International warns after slide
Farm International, the food retailing arm of Singapore-listed Jardine Matheson, warned that its full-year profits would be lower than in 1995 as it unveiled a 61.2 per slump to US$21.3m at the interim stage. Page 16

Goodman Fielder reports flat year
Goodman Fielder, Australia's largest food company and the subject of numerous management changes in recent times, posted flat annual profits of A$100.7m (US$80m) but said it was confident of an "improved performance" in the current 12 months. Page 16

Carrefour jumps after PriceCostco sale
Carrefour, the French retailing group, reported net first-half income more than doubled to FFr2.1bn ($410m) after taking into account the disposal of its PriceCostco discount chain. The group predicted a similar increase for the full year as it continued to expand internationally. Page 17

Seagram hit by MCA acquisition
Seagram, the Canadian drinks and entertainment group, slipped to a US$9m pre-tax loss during May and June, reflecting the effects of its $5.7bn acquisition of the MCA entertainment group in 1995 and what it termed "significant investment spending" in music and entertainment. The latest two-month reporting period reflects a shift in Seagram's fiscal year-end, to the end of June from the end of January. Page 18

Magellan signals return to equities
Fidelity Investments' Magellan fund, the largest and most closely watched mutual fund in the US, announced it had made a significant switch from bonds to equities during July. Page 18

Royal Sun to cut 30% of top staff
Nearly a third of senior managers at Royal & Sun Alliance, the UK composite insurer, will have left by the time the recently merged group – formed out of the £6bn ($9.4bn) link-up between Royal Insurance and Sun Alliance – completes the integration of its businesses. Page 19

Bangkok hits year's low on default talk
Thailand's SET index dropped 2.6 per cent to a low for the year amid speculation over financial problems among a number of brokerage and finance groups. The Bangkok index lost 27.06 to 1,022.68, down from 1,415 in early February. Page 32

Companies in this issue

Market Statistics

http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)		
Rises		
Ind-Werke	328.3	+ 3.8
MAN	375.5	+ 2.7
Sud Chemie	790	+ 25
Falls		
Badenwerk	561	– 11
Rheinmetall Stn	198	– 7
Victoria Hldgs	990	– 8
NEW YORK ($)		
Rises		
Campbell Soup	72	+ 4½
Officemax	14⅞	+ 1⅛
Falls		
Gap	28¾	– 5⅜
Intl Rectifier	14⅝	– 3⅝
Polaris Inds	23⅝	– 4⅝
Zilog	15⅞	– 8¾
LONDON (Pence)		
Rises		
Cairn Grp	562½	+ 87½
Chem Design	200	+ 35
Dixons	542	+ 10½
MAID	328	+ 18
Falls		
Leeds Grp	137½	– 81½
Simon Eng	42	– 7
TORONTO (C$)		
Rises		
Cott	11.50	+ 0.75
Major Drilling	9.50	+ 0.75
Spectrum Sig	12.00	+ 1.90
Falls		
Cham Ltd	16.00	– 1.00
Geographics	4.85	– 0.75
Novaur Res	11.00	– 0.75
PARIS (FFr)		
Rises		
BIC	761	+ 10
Carrefour	2739	+ 36
Danone	724	+ 32
Imetal	690	+ 18
L'Oreal	1595	+ 19
Falls		
Gal. Lafayette	1390	– 80
TOKYO (Yen)		
Rises		
Amada Co	998	+ 24
Green Cross	477	+ 38
Izumiya	1840	+ 60
Jusco	3320	+ 90
Ohbayashi	915	+ 26
Tokyu	740	+ 19
HONG KONG (HK$)		
Rises		
Founder (HK)	2.725	+ 0.15
Nat. Mutual	6.40	+ 0.35
Tentwrey Ind	20.00	+ 0.80
Falls		
Dickson Con	7.35	– 0.80
HenTson China	16.40	– 0.55
Sinocan Hld	3.275	– 0.225
BANGKOK (Baht)		
Rises		
Ayudhya Ins	192.00	+ 15.00
Bangkok Union	37.25	+ 3.25
Royal Orchid	15.25	+ 1.00
Thai Cnd Ch	30.00	+ 2.50
Falls		
Property Pft	85.50	– 9.50
Union Asia	67.50	– 7.00

New York & Toronto prices at 12.30

Court rules in favour of UBS

By William Hall in Vienna

Union Bank of Switzerland, after nearly two years of legal disputes with a dissident shareholder group, has finally won court approval to introduce a capital structure which will considerably increase its capital-raising flexibility.

The Zurich Commercial Court yesterday dismissed a legal challenge by Mr Martin Ebner, the Swiss financier and shareholder activist, to annul the decision of UBS's extraordinary general meeting of November 22 1994 which approved the introduction of a single class of bearer share for UBS shareholders.

Mr Ebner, whose BK Vision Investment Fund is UBS's biggest shareholder, has waged a long campaign against the management of Switzerland's biggest bank. He believes the bank's return on capital is too low and that the management has not done enough to enhance shareholder value.

Mr Ebner and Mr Peter Hafter, a Swiss lawyer, have launched lawsuits against UBS and its management claiming, among other things, that UBS directors led by Mr Robert Studer, UBS chairman, had "wilfully damaged the company". The court cases generated considerable adverse publicity for UBS.

While the latest decision covers only one of the three legal actions set in motion by Mr Ebner it is the most important since it has meant that while it was outstanding UBS could not introduce its share structure.

Mr Ebner has 30 days to decide whether to appeal on the latest decision. UBS said yesterday that it was extremely pleased with the court's decision and provided there was no appeal it planned to introduce its single share structure as soon as possible.

Mr John Leonard of Salomon Brothers said the court's decision appeared to "dispose of the one legal action which had the most direct management impact". UBS has the strongest capital of any Swiss bank and has not been under any pressure to raise fresh funds. Nevertheless, the removal of the uncertainty over its capital structure means that it has more flexibility in its capital raising which could be important if it were to mount a large acquisition or merge with another Swiss bank.

UBS said yesterday the Zurich commercial court had ruled that UBS was right to vote the shares in its custody for which it had been granted a proxy. Mr Ebner had argued that the bank's decision to vote the shares in favour of its proposals was against shareholders' interests. A subsidiary of UBS had bought a large block of registered shares on a forward basis which took effect after the general meeting. This reduced Mr Ebner's voting power but the court judged it to be legally correct.

Last month, Mr Ebner decided not to appeal a court decision refusing his request that there should be a special investigation into the circumstances surrounding the holding of the 1994 meeting. However, yesterday's decision is the most important legal setback to date in Mr Ebner's long-running battle with UBS. Although many analysts sympathise with Mr Ebner's criticisms of UBS, yesterday's court decision will add to the growing belief that he may have won the argument but he has lost the battle to change the management.

Martin Ebner: has 30 days to appeal latest decision

Crédit Lyonnais nears new rescue

By Andrew Jack in Paris

The French government is close to agreeing a new rescue plan for Crédit Lyonnais by which the troubled state-owned banking group is likely to be able to waive most of the heavy costs imposed on it as part of its restructuring deal agreed last year.

Officials and bank executives are reaching the final stages in discussions about the probable cancellation of the FFr145bn ($29bn) loan which Crédit Lyonnais was forced to make at below-market rates to help finance its restructuring after accumulating losses totalling FFr21bn between 1992 and 1994.

The loan, made at 85 per cent of money market rates, cost the bank FFr560m last year and left it with a symbolic profit of just FFr13m for 1995. Without modifications, the rescue plan is expected to cost a further FFr3bn for 1996, dragging it heavily into losses for the year.

Falling interest rates over the past year have increased costs for Crédit Lyonnais – which has a legacy of residual borrowings at high fixed rates – far more than officials anticipated when they negotiated a rescue plan in 1995.

Mr Jean Peyrelevade, who was appointed by the government as chairman of Crédit Lyonnais to sort out its difficulties in late 1993, had threatened to resign by today if the restructuring package was not modified.

However, his threat is believed to have been made in July, since when the ministry of economics and finance as well as the prime minister's office have shifted their attitude from one of a hostility towards a realisation of the need to change the plan.

Officials are refusing to comment on the negotiations, partly reflecting internal tensions in the government towards the costs to the Treasury of modifications.

One individual close to the talks yesterday stressed that nothing had yet been finalised, and discussions were still continuing on the technicalities of the deal as well as any additional incentives to placate opponents to the change – such as an early commitment to privatisation of the bank.

Bank of China to open City of London operation

By Peter Montagnon, Asia Editor

Bank of China is to set up a merchant bank in the UK, its first investment banking operation in the west and the first by any Chinese bank in the City of London.

An announcement by the bank in Beijing yesterday said it had appointed Mr Brian Woolley, a senior capital markets executive with Citibank since 1984, as managing director of the new operation, Bank of China International. Mr Wang Xuebing, Bank of China's president, who has set his institution on a course of international expansion, will be chairman.

The new bank is expected to have authorised capital of $500m, to be subscribed in stages by its parent.

Mr Woolley and other Bank of China executives declined to comment yesterday, but bankers in Hong Kong said they had been aware for some time of the planned expansion into international investment banking.

The aim is to tap opportunities arising from the large inflows of foreign direct and portfolio investment into China. This is likely to involve underwriting debt and share issues by Chinese entities, project and trade finance and corporate advisory work for western companies seeking to establish joint ventures in China.

Bank of China will be able to capitalise on a high international profile which stems from the fact that until recently it was the only Chinese bank allowed to deal in foreign exchange.

But it is also being driven to expand internationally by competition from other Chinese banks which are diversifying as a result of recent reforms of the financial sector.

The profitability of domestic banking business in China is low and since the banking reforms some 14 Chinese banks as well as a large number of foreign and joint-venture banks have encroached on Bank of China's previous foreign exchange monopoly.

Mr Wang said in July the bank was planning to resume commercial operations in Indonesia, Thailand and Malaysia as part of its international push.

Until now Bank of China has had merchant banking operations only in Hong Kong. Still apparently undecided is the question of whether the two principal investment banking units there, China Development Finance and Bank of China Group Securities, will come under the umbrella of the new UK institution.

Yesterday's announcement, which coincided with the signing of a co-operation agreement between Shanghai and the City of London, confirms China's view of the importance of the City as a financial centre.

However, it also comes as China has been going out of its way to nurture close bilateral relations with the UK in the run-up to next year's handover of Hong Kong.

Gaylord chief makes hasty exit

Gaylord's prized assets include Grand Ole Opry – home of country music broadcasting. The genre has blossomed recently with the aid of young stars such as Garth Brooks (above)

By Christopher Parkes in Los Angeles

A top executive of Nashville-based Gaylord Entertainment has resigned unexpectedly. The move may resurrect speculation over the sale of the leading purveyor of country and western culture in the US.

Mr Richard Evans, chief operating officer, is leaving to run Huizenga Sports and Entertainment, a Florida sporting group controlled by Mr Wayne Huizenga, founder of the Blockbuster video rental chain now owned by Viacom. He was appointed three years ago to help restore Gaylord's fortunes after ambitious acquisitions strained its resources.

One industry specialist said "heads would turn again" towards the group's prized assets – which include music cable television networks, theme parks, hotels and the Grand Ole Opry – the historic home of country music broadcasting. The genre has blossomed in recent years, crossing international boundaries with the aid of young stars such as Garth Brooks, who has contributed to broadening the appeal of the music. Gaylord's Country Music Television International network has been successful in 50 foreign markets.

CBS, the national TV network recently taken over by Westinghouse, is repeatedly cited as the likeliest prospective partner for Gaylord. CBS has close joint venture links with the company, and has said it wanted to add more cable and international capacity to its portfolio.

"CBS would be the totally logical buyer," one banker said, adding that the controlling shareholder, Mr Edward Gaylord, appeared to need no further persuading that a sale "made sense". Although his father was active in the company at the time of his death at 101, and the reclusive Mr Gaylord is only in his late seventies, the mergers and acquisitions market has driven up values of entertainment companies.

The concentration of media muscle in a small group of conglomerates has increased the competitive pressures on smaller groups.

In contrast with many, Gaylord's earnings and revenues have risen during the recession to last year's net profits of $108m on sales of $707m.

Although the formal announcement of Mr Evans's departure credited him as a "key contributor" to the group's success, it stressed his efforts to bring professional sports to Nashville. Progress on this front has been slow.

However, Huizenga Sports and Entertainment owns the top baseball, hockey and football teams in the Miami area, plus the city's premier stadium. "If you are looking for reasons why he went, consider that to have three professional teams plus an arena all under one CEO is a once-in-a-lifetime opportunity," Gaylord said.

Campbell Soup restructures and buys German unit

By Richard Tomkins in New York

Campbell Soup, US maker of soups and sauces, yesterday announced a $160m restructuring charge as part of a series of measures aimed at repositioning itself as one of the world's fastest growing food companies.

It also announced the acquisition of Erasco, Germany's biggest soup company, for $210m in cash; stock repurchases totalling $2.5bn; the disposal of non-core businesses with annual sales of $500m; and a venture to open Godiva chocolate stores in Japan.

The moves came the day after Campbell Soup announced that fourth-quarter net profits had risen 26 per cent to $180m, helping lift full-year net profits 15 per cent to $802m.

Annual sales rose 6 per cent to $7.7bn.

The results came out after the market closed. Yesterday, Campbell Soup's shares surged 7 per cent to $72½ in early trading.

Two-thirds of Campbell Soup's sales are in the US, where its market is largely mature. Since the arrival of Mr David Johnson as chairman and chief executive in 1990 the company has been generating strong profits growth through acquisitions and expansion overseas.

Campbell Soup's biggest recent purchase was in 1994 when it bought the Texas-based Pace Foods, the world's leading manufacturer of salsa and other Mexican-style hot sauces, for $1.04bn in cash.

Erasco, which Campbell Soup is buying from the UK's Grand Metropolitan, makes soups and stews under the Erasco, Gewiko, Jokisch and Jurgen Langbein brand names. It has annual sales of about $223m and employs 900 people.

Campbell Soup said Germany was the world's biggest soup market outside the US and Germans ate six times as much soup per person as Americans. The acquisition of Erasco, it said, would transform Campbell Soup into "a driving force in Europe".

Campbell Soup's restructuring will cost 650 jobs in North America. Among them, 175 jobs will be shed at the company's Camden, New Jersey, headquarters; about 200 will be lost through the reconfiguration of a Pepperidge Farm biscuit plant in Lakeland, Florida; and another 100 will be lost through the closure of a ramen noodle factory in Atlanta, Georgia.

Mr Johnson told Wall Street analysts at a meeting in New York that the restructuring would bring an after-tax charge of $160m in the current quarter, but would result in savings of $200m over the next two years.

● Grand Metropolitan is shedding two-thirds of its European food business in a long-overdue narrowing of its focus to four international food brands, writes Rod Oram in London.

The companies GrandMet plans to sell are typically stuck in low-growth national markets that offer no potential for pan-European development.

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Jardine Matheson food arm downbeat

By Louise Lucas in Hong Kong

Dairy Farm International, the food-retailing arm of Singapore-listed Jardine Matheson, yesterday warned that its full- year profits would be lower than in 1995 as it unveiled a 61.2 per slump at the half-year stage.

To counter analysts' forecasts that net profits would be substantially higher than last year's US$135.2m, the group brought forward its interim results announcement by three weeks. For the first six months of the year, profits attributable to ordinary shareholders fell 61.2 per cent to $21.3m, compared with $55m at the same stage last year.

However, the interim dividend is being held at 1.65 cents, and the total full-year dividend of 6 cents will also be maintained.

The decline was attributed largely to the shake-up at Franklins, the Australian stores. Mr Chris Nelson, chief executive, said the cost of repositioning and restructuring had been much greater than expected, but believed that the worst would be over this year. He expects Franklins to start making "respectable" profits in the next 18 months to two years.

Contributing to the fall in profitability were weak performances in Taiwan and the UK, where Dairy Farm is a minority shareholder in discount chain Kwik Save. Despite an increase in sales, interim profits at Kwik Save fell 28 per cent and the company's business strategy is currently under review.

On Dairy Farm's commitment to this holding, Mr Edouard Ettedgui, finance director, said: "We intend to wait for the outcome of that strategic review."

Analysts have blamed Dairy Farm management for being slow to respond to changing market conditions, citing Franklins and its slowness in stocking fresh produce as an example. Mr Nelson said that Franklins' problems were exaggerated by the move towards Sunday shopping.

"We are fast making the changes now. It would have been better maybe if we had started a year or two earlier," he said. He added that Franklins' market share has grown in the past six months and that management is now more focused on cost reduction and productivity improvement.

Mr Matthew Haimes, vice-president at Bear Stearns Asia, said that the company was squeezed both in mature markets such as Australia, where there was heavy price competition, and in emerging markets, where high margins are ruled out by international competition.

Earnings per share fell to 1.23 cents at the interim from 3.20.

Write-offs to put Kanematsu in Y20bn loss

By Emiko Terazono in Tokyo

Kanematsu, a Japanese trading house, has warned that it would fall into the red for the current business year owing to the liquidation of loss-making investments and unprofitable affiliates. It will pay no dividend for the first time in 12 years.

The company said it would post an unconsolidated net loss of Y20bn ($184m) for the current business year to March instead of its projected Y2bn net profit owing to extraordinary losses of Y40bn.

Kanematsu has been trying to get rid of its "tokkin" investment trust funds and money trusts – into which almost every Japanese corporation placed its money during the asset "bubble" of the late 1980s.

Although many of the larger trading companies – with sufficient financial strength – have already written off investments made during the late 1980s, Kanematsu has only managed to do so gradually in small lots. Officials said it had liquidated part of its tokkin funds in 1993 and 1994, but had decided to write off the rest of its losses this year.

The corporation said it was also trying to rationalise its businesses and would liquidate about 10 affiliates, although specific companies had yet to be decided.

Kanematsu, which paid an annual dividend of Y5 per share in the previous year, said part of the extraordinary losses would be covered by sales of stocks and real estate.

Its full year recurring profits and sales forecasts remain unchanged with parent recurring profits expected to rise 18 per cent to Y8bn, but sales falling 30.5 per cent to Y3,000bn because of the elimination of metals dealings. For the first half to September, the company will post non-consolidated net losses of about Y5bn instead of the forecast Y800m profit.

India poised to begin electronic share trading

By Mark Nicholson in New Delhi

The first paperless trading in Indian equities will begin late next month, although only a few companies have so far confirmed their willingness to begin the process of "dematerialising" their shares, according to Mr C.B. Bhave, managing director of the National Securities Depository, India's first and only registered depository.

Mr Bhave said he had urged 20 of India's biggest quoted groups to be among the first to allow settlements through the depository, and expects to start operating with 10 by the last week of October.

Eight widely-traded companies have already agreed to trade through the depository: Reliance, Bank of India, ACC, Larsen & Toubro, IDBI, ICICI, Siemens and HDFC.

He said 15 institutions, including banks, custodians and some of Bombay's bigger brokers, had also agreed to be "participants" in the depository, acting as the agents through which share certificates will gradually be dematerialised as data transfers replace physical share movements.

Replacement of India's antique and cumbersome system of paper-based share settlement with fully automated book-entry settlements has been seen as one of the market's most urgent and significant reforms since Indian equities were opened to foreign investors more than three years ago.

The cost and risk of India's imperfect system of physical share settlement and share registration has been among the greatest deterrents to many foreign investors, notably big US institutional groups, entering the Indian market.

The NSDL, a joint venture of the National Stock Exchange, India's newest exchange, UTI, the country's biggest mutual fund group, and IDBI, the biggest state-run term lending institution, has invested Rs600m ($16.78m) in the depository, using adapted Sega software used in Swiss markets.

Indian law permits multiple share depositories, but the NSDL has stolen several months' lead on any putative rivals.

Mr Bhave said he expected institutional investors to swiftly embrace the depository and said the speed and convenience of trading through the depository could lead to pricing differentials between "depository" and "paper" stocks of the same company.

"The buyers would be getting guaranteed good deliveries and far fewer hassles than paper settlements, and they may be willing to pay a premium for that."

He said the NSE would be ready to offer parallel pricing of stocks should such premia occur.

Mr Bhave said it was likely to be five to six years before 50-60 per cent of turnover in the Indian market became paperless.

India has more than 7,000 listed companies on more than 20 stock exchanges.

The change has begun, but paper could last for some time

Thai group in $222m credit deal

By Ted Bardacke in Bangkok

Total Access Communications, Thailand's second-largest mobile phone operator, yesterday signed a $222m long-term credit facility backed by the UK's Export Credit Guarantee Department (ECGD) and the Finnish Guarantee Board (FGB).

The facility, arranged by Chase Manhattan and Citicorp, is the largest financing package to be backed by export credit agencies for the telecommunications sector in Thailand, the lenders said.

Funds from the facility will be used to help finance the purchase by Total Access of cellular telephone switching and other infrastructure equipment worth $273m from Nokia of Finland and Motorola of the UK.

The facility is divided into two tranches. The ECGD will guarantee 50 per cent of TAC's commercial risk and 100 per cent of Thailand's political risk for a group of 19 international banks providing $66m.

The signing comes just two days after Moody's, the US credit-rating agency, downgraded Thailand's short-term debt rating amid fears that increased overseas borrowing by leading Thai banks and corporations could lead to a balance-of-payments crisis.

It is the first time that the export credit agencies have taken on Thai corporate risk in the politically volatile Thai telecommunications sector, where no masterplan for development or independent regulatory body exists.

Bankers said that, in spite of the Moody's downgrading, yesterday's facility, coupled with other recent successful overseas debt issues, shows that lenders continue to be interested in long-term Thai exposure and that borrowers will continue to look overseas for credit, especially given the high interest differential that exists between Thai and foreign lending rates.

Last month, Thai Farmers Bank, the country's third largest commercial bank, completed a $200m subordinated Yankee bond issue with a 20-year maturity at a coupon rate of 8.25 per cent – 525 basis points lower than the prime lending rate offered in Bangkok.

The facility for Total Access, the Singapore-listed subsidiary of United Communication Industry, Thailand's tenth-largest company by market capitalisation, carries a "significantly below-market rate," according to the lenders.

An additional $120m loan from Finnish Export Credit will be guaranteed by FGB and a group of financial institutions.

FGB will cover 56 per cent of TAC's commercial risk and 95 per cent of Thailand's political risk, while the private lenders will cover 37 per cent of TAC's commercial risk.

Goodman confident despite flat full year

By Nikki Tait in Sydney

Goodman Fielder, Australia's largest food company, yesterday posted another year of flat profits, but said that it was confident of an "improved performance" in the current 12 months.

The company, which has seen numerous management changes recently, made a profit after tax, but before abnormal items, of A$100.7m (US$80m) in the twelve months to end-June. This was only marginally up on last time's A$97.3m. Sales overall rose 2.6 per cent to A$3.99bn, while earnings per share – also before abnormals – rose 2.4 per cent to 8.4 cents.

But the group was again beset by heavy abnormal charges and write-offs, which totalled A$96.8m before tax, compared with a A$162.8m charge last time. Goodman said that large items were a A$25m write-down of poultry assets, a A$14.6m charge on the rationalisation of Asian operations, and a A$13.6m write-down at its gelatin plant.

As a result, after tax and abnormals, Goodman posted a profit of A$28.3m, compared with the previous year's A$52.8m loss.

However, Mr David Hearn, who moved from Britain's United Biscuits to become chief executive a year ago, claimed that the result was a "solid performance in a very difficult environment". In particular, he noted that the rise in wheat prices had added around A$44m to Goodman's costs.

He also noted that most of the businesses had shown signs of improvement towards the end of the financial year, that there were signs wheat prices had peaked, and that some of the heaviest discounting by Australian retailers might be ebbing.

"Wheat prices will be critical," he said of the current year, "but I'm confident we can make further gains". Mr Hearn added that abnormals should decline in size, although they would probably continue to feature.

The group's strongest gains were posted in the oils and food service business, which increased profits from A$31.1m to A$41.1m, and in the European Foods unit, which made A$48.5m after A$31m the previous year.

Milling and baking dipped from A$87.9m to A$81.1m under wheat-price pressures. Cereals and snacks were flat at A$37.6m. Ingredients slipped from A$32.2m to A$27.7m, while poultry fell to A$9.6m from $15.4m.

NEWS DIGEST

Sanwa Bank in fraud accusation

Sanwa Bank, one of Japan's leading financial institutions, said yesterday it had been the victim of fraud by one of its branch managers who had embezzled about Y550m ($5.05m) in depositors' funds. The bank's vice-president, Mr Junichiro Kojima, said it had dismissed the 45-year-old manager of one of its suburban Tokyo branches and had filed a breach of trust complaint against him with police.

The alleged fraud was discovered in April after a tip-off from a customer who became suspicious when he discovered his account had been tampered with. Mr Kojima said the bank had taken measures to prevent similar frauds from recurring.

The former manager, who is being investigated by police, is believed to have diverted the money towards loans for other customers, including suspected members of organised crime syndicates. In return he is thought to have received guarantees for loans of up to Y100m.

Gerard Baker, Tokyo

WMC improves to A$386m

Higher production from its nickel and copper operations and better nickel and alumina prices helped WMC, the Australian mining group, to boost after-tax profits by a fifth, to A$386.2m (US$306m) in the year to end-June. The result, calculated on an equity-accounted basis, compared with A$320.8m the previous year. Earnings per share rose from 29 cents to 34.7 cents, and the full-year dividend goes up from 20 cents to 22 cents, after a final payout of 11 cents a share.

The improved result owed much to a 26.4 per cent surge in profit from the nickel operations, at A$314.9m, with production and sales reaching record levels. A second strong contribution came from the copper-uranium business, where pre-tax profits rose from A$102m to A$123.1m. The alumina interests – a joint venture with Alcoa, in which WMC holds a 40 per cent interest – added A$299.6m against A$231.4m.

By contrast, the gold division saw its profits contribution decline from A$94.8m to A$63.6m, while the oil and gas business – which has since been put up for sale – made a static A$14.2m. *Nikki Tait, Melbourne*

Pacific Concord spin-off plan

Pacific Concord Holding, whose interests span property, manufacturing, wholesaling and telecoms, is the latest Hong Kong company to spin off one of its units in a separate listing. Subject to shareholder and regulatory approvals, the group aims to hive off its Hong Kong and China property division.

Concord Land will acquire a number of property development and investment assets now held by the parent and its chairman, Mr Wong Sai-chung, valued at HK$7.7bn (US$996m) at August 28. This will be followed by a subscription and share of sales in the new unit. Banking newcomer Wheelock NatWest Securities has been appointed global co-ordinator for the share offer and sponsor for the proposed listing. *Louise Lucas, Hong Kong*

Marui posts 13% interim rise

Marui, the Japanese department store, saw a sharp rise in interim earnings, the result of the remodelling of existing stores and the launch of new outlets. For the six months to July, the retailer reported a 13.3 per cent rise in unconsolidated recurring profits to Y16.4bn ($151m) while sales increased 2.7 per cent to Y241.3bn. After-tax profits rose 10.8 per cent to Y8.8bn.

Mr Tadao Aoi said profits were also helped by cost-cutting efforts and interest income on loans to Marui credit cardholders. For the full year to January, Marui expects parent current profits to rise 14.6 per cent to Y31bn and a 2.9 per cent increase in sales to Y500bn.

Emiko Terazono in Tokyo

Boral declines 30% in year

Profits at Boral, the Australian building materials and energy group, slumped by 30 per cent to A$205.7m (US$163m) after tax in the year to end-June as the company felt the force of the national downturn in housing starts. The profit came on static sales of A$5bn, and was boosted by a A$16.6m pre-tax abnormal gain. Ahead of tax and abnormals, profits were down by a larger 43.9 per cent, at A$248.6m. The second-half dividend has been cut from 10.5 cents a share, to 7.5 cents as a result. *Nikki Tait, Sydney*

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Elf Aquitaine ahead 24% mid-term

By David Owen in Paris

Elf Aquitaine, the French oil, chemicals and drugs group, yesterday reported a 24 per cent advance in half-yearly income, buoyed by high oil prices and increased oil and gas production.

The result was slightly better than foreshadowed at the company's annual meeting in June, but was less impressive than the 45 per cent profits advance announced earlier in the week by its rival Total.

This appeared to be reflected in the response of the market, with Elf shares closing in Paris down FFr2.60 at FFr379.40.

Mr Philippe Jaffré, chairman and chief executive, said progress reflected the "good level of activity in exploration and production and our continued efforts to reduce costs throughout the group".

He said the "strong volatility" experienced in the first six months in the group's principal markets was likely to continue throughout the rest of the year.

Net income rose from FFr2.86bn to FFr3.55bn ($700m), with the result held back partly by a more than 50 per cent increase in the group's income tax expense. Elf attributed this to the relative contribution of its exploration and production and chemicals divisions. Exploration and production, whose contribution increased, is subject to a high tax rate. Chemicals, whose contribution fell, has a lower rate.

Earnings per share climbed 21.5 per cent from FFr10.86 to FFr13.20. Revenues were ahead 4.7 per cent at FFr118.1bn, against FFr112.8bn.

At the operating level, income rose from FFr8.36bn to FFr10.38bn, with much the largest share generated by the exploration and production unit. Income from this division climbed 63 per cent from FFr4.45bn to FFr7.28bn.

Refining, marketing and trading returned to profit, making operating income of FFr330m, against a loss of FFr330m in 1995. The result was helped by a 29 per cent improvement in European refining margins.

According to Mr Jaffré, these margins have seen "dramatic variations from month to month in the first half of the year and this is unlikely to change in the second half".

Operating income from chemicals fell sharply from FFr3.28bn to FFr1.87bn, with the basic chemicals business, especially plastics, affected by a fall in demand and prices from the levels seen in the first half of 1995.

Speciality chemicals, by contrast, played a stabilising role. Mr Jaffré said activity had stabilised after the strong downturn experienced at the end of last year.

Income from the health division edged ahead from FFr960m to FFr991m. Sales from the human health and bio-activities units were slightly up from a year ago, but sales of perfume and beauty products fell from FFr1.64bn to FFr1.56bn.

Anglo-Saxon gloss on French oil results

Mr Thierry Desmarest and Mr Philippe Jaffré appear very different on a personal level. The Total boss seems every inch an old-fashioned industrialist, much happier discussing refining margins than the twists and turns of international power politics. His counterpart at Elf Aquitaine comes across as more of an intellectual type in the best traditions of the élite of French administrators.

But as the heads of the two French oil giants gaze across the futuristic La Défense skyline, west of Paris, at one another's gleaming tower blocks, there is at least one important subject on which they see eye to eye: the desirability of a return on equity for their respective groups of at least 10 per cent.

Mr Desmarest spoke this week of his ambitions in this area, saying Total "should be capable" of joining the ranks of international oil companies which regularly generate a return on equity of between 10 and 12 per cent "within three years".

The group's first-half performance, which featured a return on equity of 9.9 per cent, already puts it within striking distance. But this has been achieved in a period of relative buoyancy for oil prices. At the company's reference price for Brent crude of $16.40 a barrel, return on equity would have been 8.4 per cent.

At Elf, Mr Jaffré has set a similar objective: achieving "a double digit return on equity by 1998". He yesterday promised that final 1996 results should "establish a new stage in the progression towards this goal".

In 1995, the return on equity achieved by the company was 5.8 per cent. Although the group did not formally publish a return on equity figure with yesterday's half-year results, it said the rate was "about 8 per cent".

The fact that the two men are focusing so clearly on this measure of corporate performance rather than, say, turnover growth, is an encouraging sign for overseas investors – even if the targets are not ultimately hit.

It is also another striking indication of how French business is becoming more attuned to the ways of the Anglo-Saxon investment world.

David Owen

Lufthansa risks hijack on way to McDonald's

Airline looks intent on cutting labour costs as tough wage talks start, says Wolfgang Münchau

It is rare for a chairman to discuss publicly the precise conditions under which his company could go bust. But Mr Jürgen Weber, chairman of Lufthansa, did precisely this in an interview this week, when he said that Lufthansa faced only two alternatives: either it went out of business or it persuaded trade unions to allow costs to be cut.

The comments partially reflect the hubris that is increasingly characteristic of German company chiefs as they come under pressure to perform. They are also astutely timed to coincide with the beginning – on Monday – of the next wage round.

This round promises to be exceptionally difficult because Lufthansa is seeking significant concessions on working conditions and pay, while the trade unions, under heavy pressure from a demoralised staff, have signalled "a hot autumn", which is shorthand for strikes.

For Lufthansa's financial performance, the outcome of these talks is crucial.

Lufthansa's verbal toughness comes at a time when the company is facing an unprecedented commercial squeeze. Competitors are closing in and cutting prices. British Airways has just cut prices on routes to the US; in Germany, Deutsche BA, a BA subsidiary, is challenging Lufthansa on a number of profitable routes, including some from Munich and Düsseldorf airports, two of the country's busiest.

Where Lufthansa has retained a domestic monopoly, as in Frankfurt, it is coming under pressure from the Federal Cartel Office, which this week launched an inquiry into the prices Lufthansa charges on its Frankfurt-Berlin route, which are 25 per cent higher than those on routes where Lufthansa faces domestic competition.

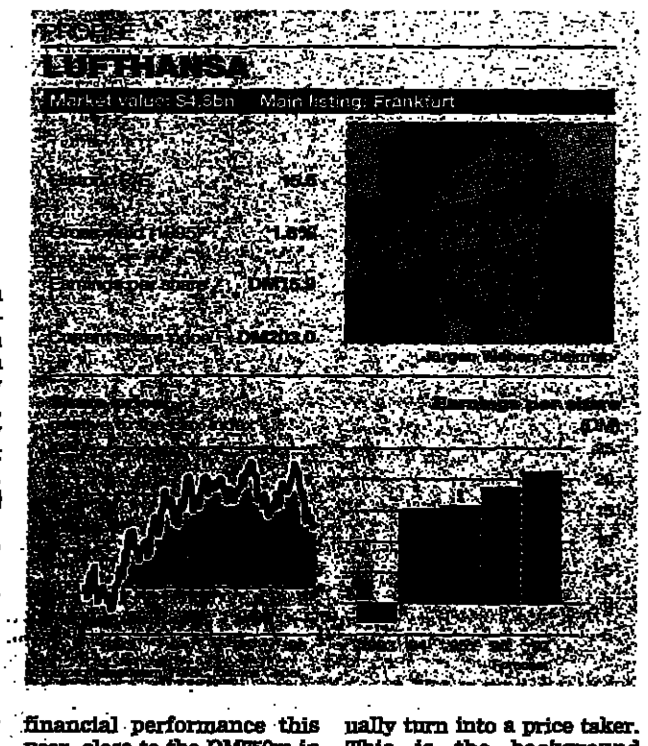
Prices have also declined elsewhere in Europe. Air France has emerged as a particularly fierce competitor to Lufthansa, which, in turn has complained loudly that the French are using public subsidy to buy market share.

One of Lufthansa's problems is that only about half of its domestic seat capacity is used. This has prompted Mr Weber to suggest that the airline may use subcontractors for non-core routes on which Lufthansa is too expensive too compete.

The airline retains a number of formidable labour contracts from its state-owned days, which guarantee staff not only an above-average wage level but also working conditions that are far more generous than elsewhere in the industry.

Staff receive eight weeks' holiday – including bank holidays – and work on average fewer than 40 hours per week. Mr Weber said in an interview with Stern magazine that, "compared with British Airways, our main competitor, we have hourly labour costs of DM50 ($34), while in England they pay DM20. There is no way that you can compensate this, however much higher [your] productivity."

One way to cut costs would be to use more and more subcontractors on a franchise basis; these would use the Lufthansa name, marketing and logistics. Using subcontractors is an airline's equivalent of closing a factory and shifting production to eastern Europe. Mr Weber said the use of subcontractors could occur on a franchise basis, "just like McDonald's", a company, west German labour unions tend to loathe because of its largely non-unionised nature.



From the point of view of the shareholder, Mr Weber's threats reflect both a willingness on the part of Lufthansa to act, but equally an admission of genuine difficulties ahead. The rapid change in the commercial environment, and especially the fast fall in ticket prices, renders an airline's financial performance difficult to forecast.

First-half profits were down 37 per cent to DM119m ($80m), although Mr Weber expects a reasonably good financial performance this year, close to the DM750m in profits from ordinary activities in 1995.

A trade union official said he was sceptical about Lufthansa's pessimistic long-run forecasts in the light of such a stable actual performance. "At this company there is always a difference between actual data and projected data, and they don't often match. We will have to look at these data very carefully," he said.

Lufthansa is left with little choice but to adjust its cost base as a means to drive up profits. Competition has been intensifying and is likely to increase further after the almost total deregulation of EU commercial air traffic next year.

As the era of monopoly and oligopoly pricing nears an end, Lufthansa will gradually turn into a price taker. This is the background against which the company starts the crucial pay round with two of Germany's most powerful clerical unions, DAG, the white collar union, and ÖTV, the public sector union, whose very presence at Lufthansa itself is a reminder of the company's past.

If Lufthansa fails to make significant progress at the talks, the much celebrated financial turnround last year will look increasingly fragile.

Olivetti may seek ally in PC markets

By Andrew Hill in Milan

Olivetti's personal computer subsidiary will not be closed down, its chief executive insisted yesterday, but the company could seek an alliance with competitors to strengthen its position in the difficult PC market.

The Olivetti group is aiming to reduce its exposure in the hardware sector and concentrate on its activities in telecommunications, multimedia and computer systems and services. The transformation may be accelerated following the unexpected resignation of Mr Carlo De Benedetti as group chairman on Tuesday.

Mr Bernhard Auer, chief executive of the PC subsidiary since July, tried yesterday to reassure the company's 1,740 employees that management ructions would not jeopardise their future.

He denied that the L200bn ($132.10m) provision included in Olivetti's half-year results was meant to cover the closure of the PC business, which is edging back from heavy losses.

On Wednesday, Mr Francesco Caio, the new chief executive of the group, told analysts that Olivetti would assess the value of the PC subsidiary's brand name and market share before deciding how it would proceed.

Mr Auer, who has worked at Digital Equipment, IBM and Compaq, said that the most likely solution was an alliance. He refused to comment on whether negotiations had begun, but said that he favoured a deal which would leave the Olivetti PC brand intact.

"I personally would see the stand-alone possibility as the one which would be most successful," he said in a telephone interview.

The PC operation used to be part of the core business of Olivetti under Mr De Benedetti, who transformed the group from an ailing typewriter manufacturer at the end of the 1970s.

In the past few years, the business has struggled to emerge from losses. It was transformed into a wholly owned subsidiary at the beginning of this year.

Following restructuring by Mr Auer and Mr Corrado Passera, Mr Caio's predecessor, the subsidiary recorded an operating loss of L10bn in the first half of this year, which Mr Caio said this week was a great improvement on "the disaster of 1995".

Unions still fear, however, that Mr Caio's promise to accelerate "the streamlining process" could lead to further job losses.

Valeo advances 4.3% halfway

By David Owen

Valeo, the French automotive components group 27.7 per cent-owned by Cerus, Mr Carlo De Benedetti's French holding company, yesterday reported a 4.3 per cent advance in first-half net profits to FFr656m ($129.38m).

The scale of the increase was substantially lessened by the inclusion in first-half 1995 figures of a FFr130m capital gain arising from a deal with Germany's Siemens. Excluding this gain, the half-yearly figure rose an impressive 31 per cent.

The announcement came a day after Mr Franck Borotra, the French industry minister, triggered renewed speculation of an imminent sale of the Cerus shares by suggesting a French offer for the stake would be made by the end of September.

Cerus shares climbed strongly yesterday on expectation of a deal, closing in Paris at FFr109.80 – a gain of FFr11.30 or 11.5 per cent. Valeo shares also rose a more subdued FFr4.50, or 1.7 per cent, to FFr262.50.

Mr Noël Goutard, Valeo chairman, seemed reluctant to comment on the speculation. He said he had not contacted Mr Borotra after his comments. "We are not hyper-reactive", he said.

The latest speculation also comes in a week in which Mr De Benedetti resigned as chairman of Olivetti, the Italian electronics group, following a surprise emergency board meeting. The Italian industrialist had run the group since 1978.

Mr Goutard said that while the second half had started well for Valeo, there could be a marked final-quarter slowdown in its home market of France if a government incentive scheme for new car buyers ended on schedule on September 30.

There has been mounting speculation in recent weeks that the government, which is increasingly desperate to stimulate France's weak economy, might extend the scheme.

New car registrations in August were nearly 30 per cent ahead of year-ago levels, with more than 30 per cent of orders said to have been linked to the scheme.

"There is a question-mark over the final quarter," Mr Goutard said. "We are preparing [for a slowdown] without being certain it will happen."

The group's first-half turnover increased nearly 16 per cent from FFr13.02bn to FFr15.06bn, with international sales performing particularly strongly.

Carrefour ahead sharply on sale

By Andrew Jack in Paris

Carrefour, the French retailing group, yesterday revealed net first-half income more than doubled at FFr2.1bn ($410m) after including the disposal of its PriceCostco discount chain.

Net income excluding exceptionals rose 20 per cent to FFr1.2bn for the first half on sales up 7 per cent to FFr72.5bn. The group predicted it would report a similar increase for the full year as it continued its programme of international expansion.

Carrefour reported an exceptional gain of FFr996m, which was largely due to the sale of PriceCostco. This compared with an exceptional loss in the first half last year of FFr84m.

Mr Daniel Bernard, chairman, said that "the general economic climate, the growth in the unemployment rate and the numerous tax reductions have not increased consumption."

In France, Carrefour has been restricted along with its competitors from opening new stores after a freeze on retail centres, introduced by the government in the past few months.

In addition, Mr Bernard said that the "mad cow" crisis had helped depress domestic sales during the second quarter of this year.

However, the group had continued an ambitious programme of foreign expansion. "Our market is the world, and our international know-how allows us to open shops in many countries at the same time," he said.

During the first six months of the year, it opened nine new stores, including two each in Argentina, Brazil and Mexico; one in Malaysia, one in Thailand and one in Spain. That brought its total to 254 around the world, of which just 117 are in France and another 59 elsewhere in Europe.

Carrefour said that it intended to open about 30 stores during 1996, including 15-16 in South and Central America, 8-10 in Asia and five in Europe – with an additional four in Spain and one in Italy.

For 1997, it had earmarked Poland, Indonesia and Singapore as new countries for expansion.

During the first half, the group's commercial margin increased 13 per cent to FFr13.96bn. General costs were up 11 per cent to FFr10.9bn. Provisions and depreciation increased 15 per cent to FFr2bn, and other charges by 27 per cent to FFr886m.

NEWS DIGEST

Ahold upbeat on year after rise

Ahold, the Netherlands-based food retailer, yesterday reported first half net profits up 17 per cent, from Fl 222.1m to Fl 259.7m ($156m), and reiterated an earlier forecast of higher full-year results. The group, whose sales advanced from Fl 15.3bn to Fl 17.3bn, reported an increase in operating profit from Fl 434.7m to Fl 517.6m, and said its recent acquisition of the US retail group Stop & Shop would serve as a further stimulus to earnings growth.

The group raised Fl 3bn on world equity markets in July to finance the deal. It said: "Goodwill write-off will initially have an acceptable negative impact on the equity ratio," but added that the acquisition was expected to "positively impact on further growth of earnings per share".

Ahold's per share net profit advanced from Fl 1.82 for the first half of last year to Fl 2.07 this year. Ahold said second-quarter profits were ahead 18 per cent to Fl 121.3m, in line with most analysts' expectations.

David Brown, Amsterdam

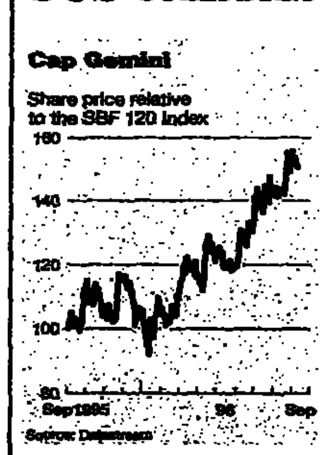
In-store banks for Portugal

Banco Comercial Português and Jerónimo Martins, Portugal's second-largest financial and retail distribution groups respectively, are to launch a new bank this year to sell financial services through in-store branches located in JM's supermarket and cash and carry outlets.

The bank, which will be owned in equal parts by the two groups, will operate under an existing banking licence for Banco Comercial de Macau, a small bank that BCP acquired when it took over Banco Português do Atlântico last year. The new bank is expected to show a positive turn on investment by early 1998.

Peter Wise, Lisbon

CGS confident of advance



Cap Gemini Sogeti, the French software group, posted first-half net attributable profits of FFr136m ($26.8m). Operating profits were FFr406m on turnover of FFr5.67bn, compared with FFr5.49bn. It said net attributable profit for the full-year 1996 should show a clear advance from the FFr52m made in 1995. Excluding write-down of goodwill, first-half net attributable profits of FFr136m were 2.7 greater than a year ago. Taking into account the write-down of goodwill, the group posted a net attributable profit of FFr84m compared with a FFr19m loss last time. It said the second half should confirm the improving trend in operating margins in computing services and Gemini Consulting.

Reuter, Paris

Tag Heuer files prospectus

Tag Heuer, the Swiss luxury sports watch maker, yesterday filed the pathfinder prospectus for its international share offering, and book-building is due to start early next week. The price range is expected to be between SFr215 and SFr245 per share, valuing the company at SFr1.2bn to SFr1.3bn ($995m-$1.06bn). The company is looking to raise more than SFr400m in ordinary stock and American Depositary Shares in Zurich and New York. Some SFr300m will be issued as primary shares and SFr120m will come from the sale of existing stock.

Salomon Brothers and SBC Warburg are acting as joint global co-ordinators of the flotation; Salomon Brothers International and SBC Warburg will be joint bookrunners for the international tranche and Salomon Brothers Inc. will act as bookrunner for the US tranche.

They plan to raise about 50 per cent of the funds in the US market, with the rest coming from an international placing. Pricing will take place on September 30. Recent months have seen well-received share offerings for several luxury-goods companies, including Gucci, Bulgari, Harvey Nichols and Sachs Fifth Avenue.

Conner Middelmann

Seagram hit by MCA acquisition costs

By Richard Waters in New York

Seagram, the Canadian drinks and entertainment group, slipped to a $9m pre-tax loss during May and June, reflecting the effects of its acquisition of MCA in 1995 and what it termed "significant investment spending" in music and entertainment.

The high price of the MCA deal, and Seagram's attempts to make its purchase pay off, have left its stock in the doldrums over the past year. The shares gained $⅛ in morning trading in New York yesterday, to $33⅞, but remain about 10 per cent below their level of a year ago.

The latest two-month reporting period reflects a shift in Seagram's fiscal year-end, to the end of June from the end of January. Comparisons with 1995 are also complicated by the acquisition of MCA in June 1995 and the Dole fruit juices business in May 1995.

The company recorded operating cash flow of $214m on revenues of $2.5bn for the two-month period, compared with cash flow of $188m on revenues of $1.4bn in the comparable period in 1995.

The interest and depreciation charges stemming from the $5.7bn purchase of MCA, however, helped to turn the $102m pre-tax profit from the year before to a loss this time round.

On a comparable basis, Seagram said MCA's operating cash flow had fallen 19 per cent from the previous year, to $88m. That reflected investment in new music artists and record labels, as well as marketing spending to promote new attractions at the Universal Studios theme parks, Mr Edgar Bronfman, chairman, said.

Seagram's wine and spirits business, on the other hand, succeeded in stemming its earnings decline of recent quarters, recording a $1m increase in cash flow, to $102m. Cash generated by the fruit juices business rose $3m to $24m.

A successful appeal against an earlier ruling in a tax dispute with the Internal Revenue Service resulted in a $65m tax credit for the latest period. This enabled Seagram to record an after-tax profit for the two-month period. Net income, after minority interests, came to $62m, or 17 cents a share. For the comparable period in 1995, the company made after-tax profits of $58m, or 16 cents a share.

Markets trading buoys Canadian banks

By Bernard Simon in Toronto

Buoyant capital markets and lower loan losses helped Royal Bank of Canada and Canadian Imperial Bank of Commerce, the country's two biggest financial institutions, post unexpectedly strong third-quarter earnings.

Royal's net earnings climbed 12 per cent to C$358m (US$261.3), or C$1.02 a share, in the three months to July 31, from C$319m, or 88 cents, a year earlier.

CIBC enjoyed a 24 per cent increase to C$336m, or C$1.50 a share, from C$270m, or C$1.13.

The advances, which exceeded most analysts' estimates, followed the pattern set by Canada's other domestic banks which have reported over the past 10 days. While the banks' business is expected to remain buoyant for the foreseeable future, analysts say the rate of increase in profits will slow markedly in the 1997 fiscal year, starting on November 1.

Mr Kevin Choquette, analyst at Levesque Beaubien in Toronto, said year-on-year earnings may drop in some quarters. Banks' share prices are slightly below the peaks reached earlier this summer.

The banks' ability to sustain the recent advances in underwriting, trading and other investment banking activities is limited. They have also benefited from an unusually steep yield curve, with a wide spread between short-term deposit rates and long-term lending returns.

Royal boosted return on equity to 17.2 per cent from 16.4 per cent. But return on assets was slightly lower. Assets grew 14 per cent to C$201.1bn on July 31, largely because of a 41 per cent jump in residential mortgage lending.

Loan loss provisions fell C$30m to C$110m. Earnings were also helped by pre-tax proceeds of C$16m from the sale of emerging market bonds.

The non-performing loan portfolio shrank 15 per cent from the previous quarter, to C$535m on July 31.

Royal has indicated for some time that it is keen to expand in the US, but has been discouraged by high asking prices. It announced a deal last week to acquire Richardson Greenshields, a Canadian securities firm, for C$480m.

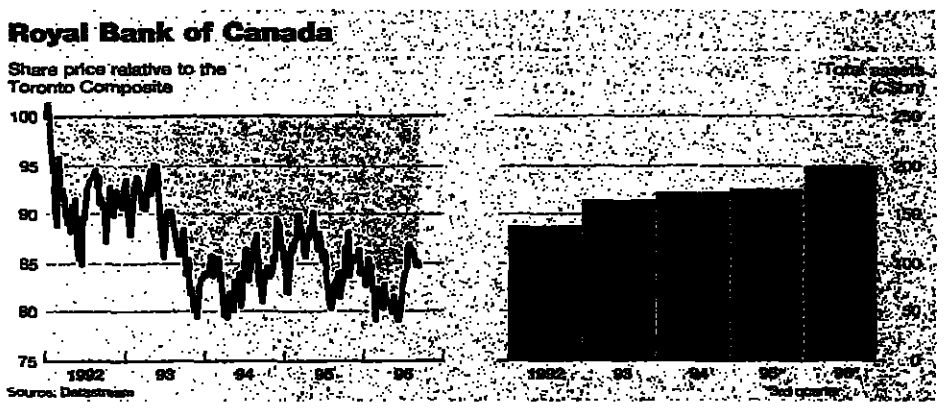
CIBC said its ambitious and costly moves in recent years into global derivatives and high-yield debt markets had begun contributing to bottom-line earnings.

The bank's return on equity rose to 16.6 per cent from 13.7 per cent. Assets rose 17 per cent to C$190.4bn.

Provisions for loan losses fell to C$120m from C$170m. The non-performing loan portfolio fell to C$856m on July 31, its lowest level in seven years, from C$1.07bn three months earlier.

Canadian banks' strong performance in recent years has come at the price of criticism of "excessive" profits and over-restrictive lending policies. Four of the banks are expected to post fiscal 1996 earnings of more than C$1bn each.

They have been at pains in latest quarterly statements to defuse the criticism by spelling out their sizeable tax provisions and support of small business customers. Several banks have also appointed ombudsmen in the past year in an effort to improve their public image.



JP Morgan looks to raise LA star profile

By Christopher Parkes in Los Angeles

J. P. Morgan, the New York-based investment bank which advised MGM management on its recent buy-out of the film and television group, is reinforcing its position in the Los Angeles entertainment sector.

Ms Tracy Hampton, who helped engineer the $1.3bn deal linking the studio's management with veteran financier Mr Kirk Kerkorian and Australia's Seven television network, is to move from the firm's Chicago office to Los Angeles.

Ms Hampton's transfer, which was announced amid reports that J. P. Morgan is close to buying a vast landmark office and entertainment complex in Century City, marks another stage in the bank's efforts to gain influence in the volatile west coast show business market.

Her main role will be to develop new business in entertainment, media and multimedia, as well as the retailing and recreation sectors.

The move marks a return to entertainment for Ms Hampton, who spent her first seven years with the bank covering the industry in New York. She later moved to Chicago as a generalist.

J. P. Morgan's investment banking team in Los Angeles, which will grow to five with her arrival, is also active in the high-technology, health care and aerospace sectors.

The bank's relative lack of experience among the region's entertainment companies left it last year with only a 12 per cent share of US media and communications industry loans, compared with Chase Manhattan's 30 per cent, according to industry observers.

Apart from the MGM deal, its only other notable recent roles have been as adviser to Westinghouse on media acquisitions, including that of the CBS television network.

In spite of continued sniping over J. P. Morgan's part in scooping MGM from under the noses of News Corporation and Netherlands-based PolyGram, Ms Hampton said the bank's closely-watched syndication of a $800m loan to finance the deal was proceeding on schedule. She said the buy-out was expected to close on time, on October 1.

Meanwhile, J. P. Morgan affiliates have also been busy in the Los Angeles property market, last year advising investors on the purchase of two well-placed office blocks in Beverly Hills and Santa Monica.

The focus of attention is Century Plaza Towers, which includes two 44-storey towers with 2.25m sq ft of space. The estimated price of more than $450m would make it the biggest property transaction in the US this year.

Magellan signals switch back to equities

By John Authers in New York

Fidelity Magellan, the largest and most closely watched mutual fund in the US, yesterday announced it had made a significant switch from bonds to equities in July.

The move by Mr Robert Stansky, who took over as manager on the resignation of Mr Jeffrey Vinik in May, confirmed he was moving Magellan away from its heavy shift into bonds at the end of last year. This was regarded by the markets as an unsuccessful bet that equity prices would fall.

Industry estimates also released yesterday suggest Magellan suffered net cash outflows, caused by investors redeeming their holdings, of $580m during August – about 1 per cent of the fund's $51.9bn asset value.

Outflows were much lower than in July, when net redemptions were $960m, suggesting the fund is regaining investor confidence following the fall-out of Mr Vinik's departure.

However, the figures, posted on Fidelity's World Wide Web site, showed that Mr Stansky was taking a gradualist approach to restructuring the portfolio. The total weighting in US government bonds was cut from 18.1 per cent to 15.6 per cent, having reached 19.4 per cent under Mr Vinik. A year earlier, less than 1 per cent of the fund was in bonds.

Most of this money went into technology stocks, whose weighting was increased from 3.6 to 5.5 per cent. High-technology companies had been one of the main motors of the fund's growth under Mr Vinik.

Mr Stansky also marginally increased the fund's weighting in energy stocks, which Mr Vinik had doubled in his last three months as manager.

● Takeover speculation yesterday surrounded Keystone Investments, another Boston-based mutual fund management group, which has $11.6bn in assets under management. First Union, the North Carolina-based bank, refused to confirm reports it was in talks to acquire the company.

NEWS DIGEST

Hughes in talks on buying PanAmSat

Hughes Electronics, which controls the world's largest fleet of private communications satellites, is negotiating to buy PanAmSat which operates four satellites covering almost 100 countries. Although the companies refused to comment, the Californian concern – a General Motors subsidiary – has made no secret of its ambitions to acquire more capacity.

Its Galaxy network of satellites covers the whole of the US, while DirecTV, a separate operation, is the country's leading provider of direct-to-home broadcasting. Meanwhile, its satellite-building operations have a 60 per cent share of the global market. The opportunity to buy PanAmSat arose late last year following the death of its founder Mr Rene Anselmo and an announcement in April that Mexico's Televisa group wanted to cash in its 40.5 per cent stake.

According to media reports, Hughes has offered a stock and cash deal valuing the target at almost $3bn. The proposed price is less than the $4bn-plus valuation of some analysts, and may reflect heavy capital gain tax burdens faced by Televisa.

Negotiations could also be complicated by a history of strife between the charismatic Mr Anselmo and Hughes executives. After one row late in his life, Mr Anselmo refused to buy any more satellites from Hughes, and switched to Loral. Mr Anselmo's heirs also control 40.5 per cent of the stock, but they have the right to elect three PanAmSat directors compared with Televisa's two, and ultimately control the company's fate.

Christopher Parkes, Los Angeles

US accountancy firms ahead

The top 100 US accountancy firms saw revenues grow by 12.9 per cent during the last year, according to the annual survey by Public Accounting Report, the profession newsletter. The figures are the best in recent years and match a similar upturn in the UK.

Strong growth in 1996 compares with a 9.7 per cent increase in 1995, 4.9 per cent in 1994, and 3.9 per cent in 1993. The Big Six firms led with a 13.4 per cent rise, according to the survey, which is based on the latest fiscal year results. However, many second-tier firms performed as well – 45 of the top 100 recorded double-digit growth. Growth among the smallest firms – those with revenues of less than $10m – was the weakest, at 8.1 per cent.

Another growth indicator for the top 100 was a 10 per cent rise in average net revenue per partner, to $1.52m. The dominance of the Big Six firms was maintained, with combined growth in revenues of the top two – Andersen Worldwide and Ernst & Young – reaching $974m, which accounts for 47 per cent of the growth figure for the entire top 100. While the general pick-up in the US economy has helped lift revenues, mergers and the exploitation of niche markets has helped smaller firms.

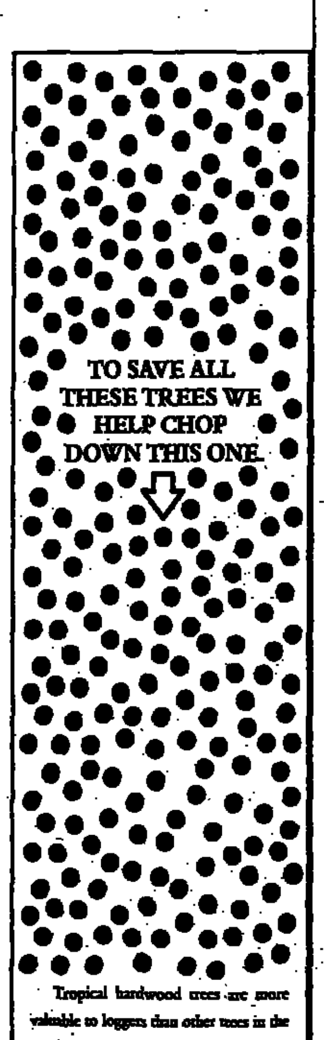
Jim Kelly, Accountancy Correspondent

Newbridge in wireless cable

Newbridge, the Canadian network equipment maker, is entering the wireless cable sector by buying a minority interest in a smaller Canadian specialised equipment firm. Newbridge said the deal was worth C$30m–$50m (US$21.8m–$36.5m), but it would not identify the firm. "It's a leader in technology to help break the logjam of voice, video and Internet traffic facing the big telecommunications carriers," Newbridge said.

It is also looking at another company with technology allowing two-way video conferencing on the Internet. Newbridge recently bought OST, a specialised equipment maker in France, to bolster its European operations. It has also signed a volume purchasing pact with Matsushita to supply LAN and other network products to Japan.

Robert Gibbens, Montreal



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THE MORGAN GRENFELL AFFAIR

The crisis at Morgan Grenfell stemmed from an unshakeable belief by fund manager Peter Young in a strategy based on the performance of high-tech stocks. His single-mindedness led to a web of holding companies registered in Luxembourg and an alarming increase in risky investments. FT reporters investigate

Complex tangle hid truth

Morgan Grenfell's humiliation arises from a tangle of shell companies registered in Luxembourg, Swiss law firms and obscure stockbrokers.

It was a structure too complex for MG Asset Management executives to grasp. They first became alarmed about investments by Mr Peter Young, the fund manager at the heart of the scandal, in April 1996 but thought he could remedy the problem. MGAM continued for a further four months to sell to the public units in funds managed by him.

In May 1994, two years after joining Morgan Grenfell, Mr Young took over management of European Growth Trust, the largest of the three funds suspended this week, and an outstanding performer.

Mr Young was a passionate advocate of its strategy. His firm belief, and his apparent desire to maintain European Growth's performance, led him to make extraordinarily risky investments in high-tech companies, whose revenues were more promise than fact. Fiba Nordic Securities, a stockbroker, handled many of these transactions.

In order to keep these promising but fragile companies afloat, he continued to inject funds and build up his stakes. But then, in 1995, he began to bump against a City regulation which limits a fund's holdings to 10 per cent of any company.

To circumvent the rule, he funneled further investments through an intricate web of Luxembourg holding companies. Most of these shell companies were connected with Fiba through a firm of Swiss lawyers called Wiler & Wolf. Between July 1995 and January 1996, at least five such holding companies were set up: OralMed, MedTech, Horten Technology, Systeminvest and Waferprod Holding.

Mr Jurg Wiler and Mr Marco Wolf, of Zurich-based Wiler & Wolf, are named as directors of all five holding companies. They are also directors of two more holding companies, which in turn own most of Fiba Nordic. Fiba, as well as selling shares to MGAM, is responsible for some of the valuations of unlisted securities which, having boosted the performance of European Growth, are now being questioned.

Moreover, Mr Wiler and Mr Wolf are directors of Russ Oil and Technology, another unlisted Luxembourg company. Morgan Grenfell took out a writ to freeze the assets of Russ Oil and Technology on Wednesday at the same time as it froze the assets of Mr Young.

Fiba denied any impropriety and said it had recommended Wiler & Wolf as lawyers to Morgan Grenfell and to Mr Young for setting up holding companies.

The pattern of Mr Young's investments is illustrated by SinterCast, a Swedish company which has developed a system for casting car engine blocks. Although the company had no significant sales, European Growth built up a stake which gave it 9.97 per cent of the voting shares of SinterCast by November 1995.

Confronted with the 10 per cent limit on holdings, Mr Young used two unlisted holding companies to invest more. In the first quarter of this year, Cathrinehold Holding and Celltek Technology Holding, two unlisted companies held by European Growth, respectively built up 3.3 per cent and 6.6 per cent stakes in SinterCast.

Mr Young's problem was that his investments in these holding companies appeared as unlisted securities in the European Growth portfolio. As their weighting within the portfolio rose to 35 per cent in April, Mr Young's managers for the first time became alarmed.

But to remedy the problem MGAM executives turned to the man who had created it in the first place: Mr Young. They instructed him to reduce the proportion of unlisted securities to 5 per cent by year-end. They gave him time because they thought the stocks were illiquid and hard to sell.

Neither MGAM's compliance department nor Mr Young's managers picked up the crucial fact: that these unlisted companies had no real business except as a way for Mr Young to support the high-tech stocks the fund manager believed in.

When Mr Young was instructed to reduce his unlisted holdings, he created more unlisted companies and shuffled around his holdings, according to Morgan Grenfell. He transferred shares to these new holding companies at a discount, which created the impression that the holdings were falling in value.

"It is unforgivable: he failed to do what he said he would; he did the opposite and he deliberately hid it," said Mr Michael Dobson, chief executive of Deutsche Morgan Grenfell. "He thought in some crazy way that he was going to maximise value for investors by ignoring his bosses."

It was left to others to detect Mr Young. The Securities and Futures Authority, which had been inquiring into Fiba since May, alerted the Investment Management Regulatory Organisation on July 15 that there was a connection with MGAM.

On August 21, the SFA and Imro paid a joint visit to Morgan Grenfell International Funds Management, the management company for European Growth. On August 27, the case was passed to Imro's enforcement division, which began monitoring Mr Young. On August 29, Mr Young was formally interviewed, and MGAM and Imro discovered that the unlisted securities were suspect.

The following day, last Friday, Deutsche Bank injected £93m to buy out suspect securities linked to Fiba Nordic to enable the affected funds to continue trading. It then began analysing the portfolio. It quickly became apparent that the portfolio was worse than first appeared. Deutsche Bank was to have to make a further injection of £97m. As a last resort, on Monday, Imro ordered the suspension of the funds. Morgan Grenfell's humiliation was public.

> "Ironically, all the pressure on this fund manager came from himself. He had a good track record and made a lot of money for investors. He put a lot of pressure on himself to continue that performance."
>
> **Michael Dobson, chief executive, Deutsche Morgan Grenfell**

TRADING RESUMES – By George Graham

Anxious investors sold an estimated £100m of units yesterday as Morgan Grenfell's three European unit trusts weathered their first day of trading since dealings were suspended on Monday.

Selling was heavier than normal, amounting to about 8 per cent of the funds' value – but was nothing like the exodus some investment advisers had predicted.

The three funds had an estimated £300m of cash ready to meet the orders of investors who wanted to redeem their units. The sum included £180m from Deutsche Bank, Morgan Grenfell's parent, which this week bought out the funds' illiquid holdings in unlisted securities. It was more than enough to meet yesterday's selling, though more demands are expected.

The heaviest selling came in the £788m European Growth fund, managed until last week by Mr Peter Young. It experienced £68.5m of redemptions as its bid price fell 3.7 per cent to 577.1p. Redemptions for the £137m Europa Trust, whose manager, Mr Stewart Armer, was suspended yesterday, amounted to £5.65m.

Numbers for the Dublin-listed European Capital Growth fund were not available. Investment advisers said they had received a lot of questions from customers but few orders to sell. "We've had two redemptions," said Ms Janice Thompson of investment advisers Chelsea Financial Services.

Many had bought the funds as part of personal equity plans, and were unable to sell immediately without losing the Pep tax benefits. The 10-day delay to transfer a Pep investment deterred many potential sellers.

'Astonished and angry': Deutsche Bank management board members Michael Dobson (left) and Rolf Breuer say they will leave no stone unturned in their quest to discover the cause of the debacle

THE PARENT GROUP – By John Gapper

Deutsche Bank learns a lesson in discipline

Asked what the lessons from the debacle at Morgan Grenfell Asset Management are, Mr Rolf Breuer replies with a single German word: *Disziplin*. "What should be at the heart of a good business is discipline, not performance for its own sake," he elaborates.

For Mr Breuer, the member of Deutsche Bank's management board with overall responsibility for asset management, it is a quality that was clearly lacking in the London subsidiary. Instead, he says, the culture of having star performers lay at the heart of MGAM's undoing at the hands of Mr Peter Young.

"If you have a star performer in your business, you have a temptation and a tendency to let him go on, even if he is not completely within his business limits," says Mr Breuer, who returned from a holiday last Sunday to be told the full horror of what had occurred at MGAM.

Neither Mr Breuer nor Mr Michael Dobson, chief executive of Deutsche Morgan Grenfell, the investment banking subsidiary in which MGAM sits, disguise their anger and astonishment at what happened.

"Extremely serious and embarrassing and unwelcome and unprecedented," is Mr Dobson's summary.

Mr Dobson will not pass judgment on whether members of the senior management of MGAM will eventually be forced to resign. However, he does not rule out that possibility if the inquiry launched by both MGAM and the Investment Management Regulatory Organisation, the City regulator, turns up concrete evidence of rules being ignored or bent.

After explaining the degree to which senior managers were allegedly deceived by Mr Young this year, neither offers much defence of MGAM controls. "We are going to leave no stone unturned to discover what happened, and make sure it never happens again," Mr Dobson says.

There is a delicate issue of internal politics in all this. Mr Keith Percy, chief executive of MGAM, reports to Mr Dobson rather than Mr Breuer. For the retail fund management part of MGAM, this may change. Mr Breuer says control of MGAM's unit trust business may pass to Frankfurt.

On an overall level, retail fund management is managed globally from Frankfurt under Mr Breuer, while institutional fund management comes under DMG in London. Mr Breuer says the management board has already discussed a switch "and will continue to do so, not least in the light of what has happened".

Beyond this structural fall-out from the MGAM affair, there is the wider question of culture. Deutsche Bank bought Morgan Grenfell eight years ago and has been building up securities operations under DMG in the past year. However, there is an enormous gulf between the Deutsche and DMG cultures.

The more free-wheeling, innovative and highly paid bankers and fund managers of DMG seem to fit oddly in a cautious and structured commercial bank such as Deutsche. Mr Breuer says this incident serves to show that not enough priority has been given to the cardinal virtue of "discipline".

He says Deutsche is already half way through an attempt to install tighter controls within the DMG corporate finance and securities businesses. Until now, it had not regarded MGAM as such a priority because little capital appeared at risk, but Deutsche's views have changed rapidly this week.

COMPANIES AND FINANCE: UK

Royal Sun to axe 30% of top managers

By Motoko Rich and Ralph Atkins

Nearly a third of senior managers at Royal & Sun Alliance, the composite insurer, will have left by the time the recently merged group completes integrating its businesses.

The forecast, by Mr Richard Gamble, chief executive, came as Royal Sun announced its first combined set of results – which showed a smaller than expected fall in operating profits, from £514m to £450m for the half year to June 30.

Royal Sun confirmed it was on target to deliver annual cost savings of £175m by 1998.

"The ultimate reduction in the management's ranks will probably be heavier than it will be in the lower ranks," Mr Gamble said.

His comments may help assuage fears that the £6bn merger of Royal Insurance and Sun Alliance, completed in July, had resulted in a cumbersome management structure.

About 60 per cent of the planned cost savings will come from job cuts. The group has announced 1,300 of the 5,000 it plans to make in total.

Of the combined group's 530 senior managers, about 30 per cent are expected to leave. Mr Gamble said, however: "There is not going to be a grand exodus of senior managers at this time. They are all assisting us with the merger even if they will not have a place with us in the future."

Mr Gamble hinted the group would eventually move to one brand name for its three existing "direct" operations – The Insurance Service, Royal Insurance Direct and Sun Alliance Connections. Using one brand name would save marketing costs.

The bulk of the cost savings would be made in the group's UK general operations, accounting for about £110m of costs.

The UK life business would save £25m.

The group was happy with its solvency ratio – a crude measure showing the value of assets as a proportion of premium income – of about 73 per cent, which is high by the industry's standards. Despite the group's financial strength and long-term desire to expand overseas and in the UK life sector, significant acquisitions are unlikely in the short term.

Arjo slides to £32m

By Patrick Harverson

Falling pulp and paper prices and weak demand took their toll on Arjo Wiggins Appleton, the Anglo-French paper group, which announced a sharp drop in interim pre-tax profits from £135.3m to just £32.3m.

Turnover rose to £1.86bn (£1.78bn) thanks to a £219m contribution from acquisitions.

Paper prices, particularly European carbonless and coated, fell sharply. While the price of pulp, the main raw material for paper, also declined, margins suffered because the group had to sell low-priced paper made from pulp acquired at higher prices. The drop in paper prices led to a sharp fall in demand as buyers ran down stocks.

The result was "the worst period the group has experienced since its flotation", said Mr Cob Stenham, chairman.

However, Arjo reported signs of an improvement in recent months.

Simon to sell largest division

By Tim Burt

Simon Engineering, the storage, process engineering and mobile platform group, yesterday put its largest division up for sale to cut its "crippling" £82.7m debt.

The company has decided to sell its Access division, which accounts for more than half its turnover, after ruling out a rights issue or debt-for-equity swap to rebuild its balance sheet.

Mr Maurice Dixson, chief executive, said the exercise would enable Simon to cut gearing from more than 100 per cent to about 30 per cent and repay $75m (£48m) owed to US loan-note holders. Simon, which earlier this summer missed a repayment deadline for the loan notes, has until next February next year to repay that part of its debt.

One insider said Simon was unlikely to complete a sale much before Christmas, adding that it did not yet have a shortlist of buyers.

Mr Dixson predicted strong interest in Access, the mainly US-based maker of firefighting vehicles and mobile cranes, and said the group would make a profit on the disposal.

The move comes less than three years after a large-scale refinancing at Simon, involving a £52m rights issue and a £38.4m disposal programme. Mr Dixson said that had allowed the group to focus on three core divisions, but admitted that the balance sheet had remained too weak.

Simon yesterday brought forward publication of interim pre-tax profits which rose from £2.4m to £3.7m on increased sales of £165.8m, against £147.3m, in the six months to June 30.

The figures were dented by £4.6m of interest charges, which more than halved its underlying profits of £8.4m. Debts rose from £75.1m to £82.7m. It was also hit by £600,000 in legal fees associated with the debt reduction.

Profits in the access division fell from £2m to £1.5m .

INTERNATIONAL CAPITAL MARKETS

Successful auction supports France

By Samer Iskander in London and Lisa Bransten in New York

European bonds had a positive session as the bund market shrugged off data showing higher than expected economic growth in the second quarter. In the US, the yield curve steepened slightly as traders' fears of a rate hike by the Fed receded.

■ A successful OAT auction and reassuring comments by government officials on France's chances of meeting the criteria imposed by European monetary union provided strong support for the French bond market. Matif's September notional future settled at 123.48, up 0.22, while the Pibor contract rose by 0.11 to 96.00.

The Bank of France was said to have intervened on the foreign exchange market to prop up the franc after it fell through the psychologically important level of FFr3.43 against the D-Mark.

"The Pibor's rise shows that traders are convinced the central bank will not be forced to raise interest rates to defend the franc. The market also believes that the Bundesbank is ready to intervene," said one trader.

The Treasury auctioned FFr17.63bn of OATs, with bids covering 4.7 times the amount. Mr Julian Jessop, European economist at Nikko in London, attributed yesterday's bullish mood to the success of the auction. However, he warned that the French market could still see some turbulence later this month, when details of the 1997 budget are announced.

"The market would like to see some real structural savings, such as a reform in the welfare system," he said. "Vague promises [of spending cuts] will not be enough." Mr Jessop also believes the real test for France will come when the government finally admits that its forecasts of GDP growth are too optimistic.

GOVERNMENT BONDS

"They [government officials] will have to face the fact that growth is not around the corner," he said.

■ Italian bonds closed higher, outperforming bunds. Liffe's December BTP future settled at 115.42, up 0.71, while in the cash market the 10-year yield spread of BTPs over bunds narrowed by 3 basis points to 314 points. The headline figure for consumer price inflation was confirmed at 3.4 per cent for August, which revived hopes of rate cuts by the Bank of Italy.

■ A lower than expected figure on last week's claims for unemployment benefits led to an early drop on the US Treasury market, but by late morning prices had stabilised, with only modest losses as investors prepared for today's release of August employment figures.

Near midday the benchmark 30-year Treasury was down 9/32 at 95 11/32 to yield 7.117 per cent, the two-year note was 1/32 lower at 99 15/32, yielding 6.363 per cent and the December 30-year bond future was off 5/32 at 106 11/32.

For the first time in several sessions, the yield curve steepened early yesterday on speculation that the Federal Reserve might not be as quick to raise short-term interest rates as some on Wall Street believe. The two-year to 30-year curve rose by one basis point to 75 points.

Long bonds fell as much as ½ point after the Labor Department reported that first time claims for unemployment benefits fell by 15,000 last week. Economists had expected the number to hold steady at 331,000 and interpreted the data as an indicator of potential strength in today's figure on August employment.

Later, bonds recovered as bargain hunters entered the market. Mr Woody Jay, head of global government trading at Lehman Brothers, said he had seen some strong buying *of bonds through the morning* as investors prepared for the employment number.

Statoil returns after eight-year absence

By Conner Middelmann

The eurobond market had a more subdued day after recent hectic sessions, with many participants sidelined ahead of today's release of US jobs data for August.

Statoil, Norway's government-owned hydrocarbon utility, returned to the market after an eight-year absence with a $250m offering of three-year bonds priced to yield 5 basis points over Treasuries.

INTERNATIONAL BONDS

According to lead manager Deutsche Morgan Grenfell, the bonds were likely to benefit from their rarity value, their quasi-sovereign risk and the diversification they offer after a slew of issues by financial institutions.

A DMG syndicate manager said the raft of short-dated bonds launched in the early summer had been placed and there was renewed demand for such paper from European retail accounts. He acknowledged the issue was slow to get off the ground but said "we feel confident in the special nature of the Statoil name – the deal will work over time".

Others were less charitable. "When I saw it appear on the screen, I thought they'd accidentally dropped a digit – it should have had a spread closer to 15 over," said one dealer. Another said the deal was weakened by the fact that it does not have a government guarantee and has lower credit ratings than the Kingdom of Norway.

In the D-Mark sector, Baden-Wuerttemberg L-Finance issued DM750m of five-year bonds priced to yield 22 basis points over bunds – on the tight side, some dealers said. Still, joint leads Goldman Sachs and SBC Warburg said the deal met demand from European institutions looking for a large, liquid issue after the recent smaller, retail-targeted deals – although Asian demand was said to be slightly disappointing.

Elsewhere, there was talk that the Tennessee Valley Authority might be launching a DM1bn D-Mark issue next week. The rumour was prompted by the fact that TVA plans to hold an investor presentation in Frankfurt on Monday, organised by Deutsche Morgan Grenfell and Lehman Brothers.

Back in the dollar sector, Lebanon's Byblos Bank announced details of its forthcoming euromarket debut: $50m of three-year notes to be priced at around 275 basis points over Treasuries. SBC Warburg and Beirut-based Lebanon Invest are to lead the transaction.

The deal will make Byblos Bank the second Beirut bank to access the eurobond market after a $60m issue in June by Crédit Libanais.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Fed Home Loan Mtg Crp(a)	300	7.00#	100.00R	Sep 1999	0.15R	+41(6%-99)	Goldman Sachs Intl
Statoil	250	6.625	99.815R	Sep 1999	0.1875R	+5(6%-99)	Deutsche Morgan Grenfell
Stadshypotek‡	100	(b)	99.962	Mar 1999	0.10	-	Salomon Brothers Intl
D-MARKS							
Baden Württemberg L-Fin	750	5.25	99.507R	Sep 2001	0.25R	+22(5%-01)	Goldman/SBC Warburg
Synthetic Ecuador Bond Co	100	12.25	99.00R	Oct 2003	1.25R	+647(l)	Dresdner-KB/JP Morgan
FRENCH FRANCS							
Bayerische Landesbank	1bn	6.625	99.588R	Oct 2008	0.35R	+11(8½%-08)	Crédit Agricole
PESETAS							
European Investment Bank	15bn	8.50	100.80	Oct 2006	1.875	-	SBV/JP Morgan
DSL Bank(c)	10bn	8.50	103.635	Feb 2006	1.875	-	SNA

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. +Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable from 16/9/97 at par. b) 3-mth Libor flat. c) Fungible with Pta15bn. Plus 126 days accrued. l) Over interpolated yield.

Lebanese bank plans euromarket borrowing

By Samer Iskandar

Banque de la Méditerranée, a Lebanese bank owned by prime minister Mr Rafic Hariri, is to set up a $150m borrowing facility in the euromarket.

Merrill Lynch, the lead manager, is expected to launch the first tranche of the deal before the end of the month – $50m of two-year euro-certificates of deposit.

"The programme will be the first continuous issuance vehicle established by a Lebanese issuer," the bank said. "Future tranches [will have] maturities ranging from one to five years."

Méditerranée, the country's largest bank with a consolidated balance sheet of $2.4bn at the end of August, is aiming to attract investors from the expatriate Lebanese community in North and South America, as well as Europe.

Its paid up capital is $100m, but it is believed to be planning an increase to $200m before the year-end. Its objective is to achieve a capital base of $500m by 2000, and a balance sheet of $6bn to $8bn.

Lebanese banks are keen to tap new sources of long-term financing, ahead of an expected rationalisation of the banking industry. Observers say there is an over-supply of banking services and expect several larger banks to absorb smaller competitors.

Crédit Libanais, a government-controlled bank, tapped the international market for $60m earlier this summer, and Byblos Bank, the country's sixth largest bank, is in the process of launching $50m of three-year euronotes.

Egyptian bank to sell stake in Suez Cement

By Sean Evers in Cairo and Samer Iskandar in London

The National Bank of Egypt (NBE), one of the country's four government-owned banks, is planning to sell most of its 15 per cent stake in the Suez Cement Company through an international equity offering.

EMERGING DEBT MARKETS

An issue of global depositary receipts (GDR) is believed to be the favourite option, although Salomon Brothers, which was yesterday retained as global co-ordinator, said it would also "explore alternative means for divesting the NBE's holding in Suez Cement".

ING Barings was also reported to be involved in the deal.

Suez Cement, valued earlier this year by Flemings at E£2.092bn, has the largest capitalisation on the Cairo Stock Exchange. At current market prices the 15 per cent stake would be valued at nearly $100m. Suez shares closed yesterday at E£42.50, up 0.60.

At the Egyptian Capital Markets & Investment Conference in Cairo this week, Mr Mahmoud Abdel Aziz, chairman of the NBE, said: "We have launched the second over GDR in Egypt and I am confident it will be a success."

Mr Atef Ebeid, minister for public enterprise, stated his intention to maintain the accelerated pace of the privatisation programme.

"The target for the rest of the year is to float one company a week on the stock market, and one company a week in direct sale," he said.

Foreign investors more than trebled their share of activity on the Egyptian stock exchange in the first half of 1996, from just 6 per cent of the E£3.8bn traded during 1995 to 20 per cent of the E£3.4bn traded from January to June this year.

The volume of trading in listed companies has increased during the same period from 15.5m securities in 1995 to 68.8m in 1996, an increase of 343 per cent.

The number of transactions of listed securities has increased by more than 97 per cent, from 153,000 to 302,000 trades, highlighting the improvement in the market's liquidity.

Mr Mohammed Younes, managing director of Concord International Investments, the first foreign investment firm to obtain a licence to manage mutual funds in Egypt, praised Cairo's Capital Markets Authority (CMA).

"The CMA has established a strong reputation for integrity and for tough enforcement of securities laws, while at the same time acting as one of the leading promoters of the Egyptian stock market," he said.

Mr Youssef Boutros-Ghali, minister of state for economic affairs, proudly rolled out the impressive macroeconomic picture. The budget deficit was 1.3 per cent of GDP in 1995, and is expected to come down to 1 per cent this year. Inflation has been brought down to below 8 per cent this year, from 20 per cent in 1991. GDP growth is expected to reach 5 per cent.

Capital gains and with-holding taxes have been abolished, and tariff cuts will be introduced as part of an IMF agreement due to be ratified on October 11.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	99.8540	-0.190	8.24	8.11	8.47
Austria		6.250	05/06	98.7100	+0.340	6.33	6.36	6.41
Belgium		7.000	05/06	102.6100	+0.150	6.62	6.71	6.72
Canada *		7.000	12/06	96.2400	-0.230	7.53	7.40	7.67
Denmark		8.000	03/06	104.3600	+0.100	7.38	7.24	7.32
France	BTAN	5.500	10/01	99.5100	-	5.58	5.61	5.43
	OAT	7.250	04/06	105.9600	+0.260	6.40	6.43	6.36
Germany Bund		6.250	04/06	99.1200	+0.200	6.37	6.37	6.38
Ireland		8.000	08/06	102.5800	+0.140	7.62	7.62	7.63
Italy		9.500	02/06	101.2500	+0.550	9.29†	9.38	9.32
Japan	No 140	6.600	06/01	120.5555	-0.170	1.90	1.87	2.32
	No 182	3.000	09/05	99.8936	-0.280	3.02	2.98	3.30
Netherlands		8.500	06/06	115.6100	+0.220	6.32	6.33	6.32
Portugal		11.875	02/05	118.9000	+0.050	8.61	8.62	8.69
Spain		8.800	04/06	99.9100	-0.020	8.79	8.83	8.87
Sweden		6.000	02/05	87.1056	-	8.17	8.14	8.26
UK Gilts		8.000	12/00	103-09	+1/32	7.08	7.02	7.14
		7.500	12/06	97-07	+9/32	7.90	7.87	7.88
		9.000	10/08	107-16	+7/32	8.02	7.99	7.99
US Treasury *		7.000	07/06	100-06	-6/32	6.95	6.82	6.86
		6.750	08/26	95-11	-12/32	7.13	7.02	7.04
ECU (French Govt)		7.500	04/05	104.3600	+0.110	6.81	6.82	6.83

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.40
Prime rate	8¼	Two month	-	Three year	6.57
Broker loan rate	7	Three month	5.34	Five year	6.75
Fed funds	5¼	Six month	5.60	10-year	6.96
Fed funds at intervention	-	One year	5.95	30-year	7.14

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	123.12	123.48	+0.22	123.50	123.10	130,302	143,448
Dec	121.70	122.02	+0.18	122.04	121.68	40,025	70,090
Mar	121.64	121.96	+0.20	121.72	121.64	277	11,849

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
120	-	-	-	0.08	-	0.36
121	1.20	-	-	0.22	0.35	0.50
122	0.54	-	1.11	0.52	0.56	0.76
123	0.15	0.42	0.64	0.15	-	1.10
124	0.03	0.17	0.36	-	-	-

Est. vol. total, Calls 9,826 Puts 11,741. Previous day's open int., Calls 87,244 Puts 102,751.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.23	97.28	+0.06	97.33	97.18	18232	15251
Dec	96.25	96.52	+0.24	96.58	96.23	135782	183524

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
9650	0.41	0.89	0.91	0.90	0.39	0.67	0.89	1.83
9700	0.19	0.46	0.66	0.72	0.67	0.94	1.14	2.15
9750	0.08	0.28	0.47	0.57	1.06	1.26	1.45	2.50

Est. vol. total, Calls 16320 Puts 7452. Previous day's open int., Calls 113855 Puts 116857

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	114.60	115.42	+0.71	115.48	114.53	43058	57972
Mar	-	114.92	+0.71	-	-	0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
11500	1.79	2.23	1.37	2.31
11550	1.49	2.00	1.57	2.58
11600	1.24	1.78	1.82	2.86

Est. vol. total, Calls 2057 Puts 2021. Previous day's open int., Calls 52630 Puts 75737

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	100.78	101.30	+0.47	101.34	100.75	66,616	49,455
Dec	100.31	100.76	+0.39	100.83	100.31	5,169	16,474

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	106-28	107-01	+0-05	107-11	106-27	13768	51624
Dec	106-04	106-08	+0-05	106-20	106-02	56828	85965

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
106	0-46	1-08	1-30	1-53	0-28	0-54	1-12	2-11
107	0-16	0-42	0-63	1-26	0-62	1-24	1-45	2-48
108	0-05	0-22	0-39	1-04	1-51	2-04	2-21	3-26

Est. vol. total, Calls 2037 Puts 3044. Previous day's open int., Calls 16880 Puts 15232

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	91.90	92.02	+0.10	92.04	91.80	2,238	8,124
Dec	90.00	90.18	+0.08	90.12	90.00	808	2,739

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	107-18	106-31	-0-17	107-18	106-26	19,389	155,980
Dec	107-01	106-13	-0-18	107-02	106-09	256,739	278,897
Mar	106-15	106-03	-0-16	106-15	105-30	4,847	10,404

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	122.15	-	-	122.34	122.15	1084	n/a
Dec	120.49	-	-	120.69	120.48	2840	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Sep 5	Day's change %	Wed Sep 4	Accrued interest	xd adj. ytd		Low coupon yield Sep 5	Sep 4	Yr. ago	Medium coupon yield Sep 5	Sep 4	Yr. ago	High coupon yield Sep 5	Sep 4	Yr. ago
1 Up to 5 years (22)	121.67	-0.06	121.74	2.22	6.91	5 yrs	7.21	7.18	7.51	7.29	7.28	7.53	7.36	7.33	7.62
2 5-15 years (20)	147.47	-0.01	147.49	2.86	7.20	15 yrs	8.13	8.13	8.02	8.14	8.13	8.05	8.14	8.15	8.13
3 Over 15 years (8)	160.53	-0.02	160.56	2.64	8.84	20 yrs	8.23	8.24	8.06	8.22	8.22	8.06	8.23	8.25	8.14
4 Irredeemables (6)	185.34	0.74	183.97	3.90	7.36	Irred.†	8.24	8.31	8.09						
5 All stocks (56)	142.11	-0.02	142.14	2.63	7.45										

Index-linked							Inflation 5% Sep 5	Sep 4	Yr. ago	Inflation 10% Sep 5	Sep 4	Yr. ago
6 Up to 5 years (1)	200.22	0.01	200.20	3.22	4.43	Up to 5 yrs	2.13	2.12	2.77	0.50	0.49	1.01
7 Over 5 years (11)	188.51	0.09	188.33	1.18	3.43	Over 5 yrs	3.72	3.73	3.52	3.51	3.52	3.33
8 All stocks (12)	188.65	0.09	188.47	1.23	3.44							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Sep 5	Sep 4	Sep 3	Sep 2	Aug 30	Yr ago	High*	Low*
Govt. Secs. (UK)	92.92	92.76	92.63	92.90	92.73	94.20	96.34	91.59
Fixed Interest	113.00	113.02	113.05	113.12	113.33	112.86	115.23	110.74

GILT EDGED ACTIVITY INDICES

	Sep 4	Sep 3	Sep 2	Aug 30	Aug 29
Gilt Edged bargains	71.2	81.6	80.0	77.2	96.3
5-day average	77.3	84.9	83.4	86.9	87.1

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas 2pc 1996	0.91	5.64	220⅝xd	—	220⅝	212⅞
Conversion 10pc 1996	9.92	5.66	100⅞	—	104⅛	100⅞
Treas 13¼pc 1997‡‡	12.90	5.83	102⅞	-1/32	108⅞	102⅞
Exch 10½pc 1997	10.28	5.84	102¼	-1/32	107⅛	102¼
Treas Cnv 7pc 1997‡‡	6.92	5.78	101⅛	-1/32	101⅞	99⅞
Treas 8¾pc 1997‡‡	8.51	5.84	102⅞xd	-1/32	104⅞	102¼
[illegible]						

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Treas 8½pc 2005‡‡	8.15	7.84	104⅛	+1/16	108⅞	101⅞
Treas 7½pc 2006‡‡	7.72	7.91	97⅛	-1/16	101⅞	94⅞
Treas 7¾pc 2006‡‡	7.85	7.95	98⅞xd	+1/16	103¼	95⅛
Treas 8pc 2002-6‡‡	7.95	7.94	100⅞	—	104⅞	97⅞
Treas 11¾pc 2003-7	9.74	7.62	120⅞			
Treas 8½pc 2007 ‡‡	8.20	7.99	103⅞			
[illegible]						

Notes	Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
Index-Linked (b)						
4⅝pc '98‡‡ (135.6)	8.54	2.15	113⅞	—	113⅞	111⅛
2½pc '01 (78.3)	2.82	3.36	182⅛	+1/16	182⅞	174⅞
2½pc '03 (78.8)	3.09	3.50	177⅞	+1/16	177⅞	170⅞
4⅜pc '04‡‡ (135.6)	3.17	3.54	115⅞	+1/16	118⅞	112⅞
[illegible]						

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on September 5

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	95⅞	96⅞	-⅛	7.19
ABN Amro Bank 7¼ 05	1000	98⅜	98⅝	-⅛	7.65
African Dev Bk 7⅞ 23	500	94¼	94⅝	-⅛	7.89
Alberta Province 7⅞ 98	1000	102	102¼		6.59
Asian Dev Bank 6¼ 05	750	93⅞	94⅛	-⅛	7.30
Austria 8½ 00	400	104¾	105⅛		6.86
Baden-Wuertt L-Fin 8⅛ 00	1000	103½	103⅝		6.91
Bancomext 7¼ 04	1000	81¼	81¾	-2¼	11.32
[illegible]					

	Issued	Bid	Offer	Chg	Yield
Sweden 8 97	2500	105	105⅛		3.53
United Kingdom 7⅛ 97	5500	104	104⅛		3.49
Volkswagen Intl Fin 7 03	1000	104	104⅛		6.25
World Bank 0 15	2000	32	32⅜	+⅞	6.08
World Bank 5⅞ 03	3000	99⅝	99⅞		5.94
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	36½	37½		5.33
Austria 4½ 00	1000	104¾	105		3.02
[illegible]					

	Issued	Bid	Offer	Chg	Yield
Abbey Natl Treasury 8 03 £	1000	100¾	100⅞	+⅛	7.83
British Land 8⅞ 23 £	150	90¾	90⅞	+⅛	10.10
Denmark 6¾ 98 £	800	100⅜	100½	-⅛	6.54
Depfa Finance 7⅛ 03 £	500	95¾	96		7.92
EIB 8 03 £	1000	101¾	101⅞		7.65
Glaxo Wellcome 8¾ 05 £	500	102	102⅛	+⅛	8.42
Hanson 10⅜ 97 £	500	104⅛	104¼		6.42
HSBC Holdings 11.69 02 £	153	115⅞	116⅛		8.18
Italy 10½ 14 £	400	113½	113⅞	+⅛	8.94
[illegible]					

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CURRENCIES AND MONEY

MARKETS REPORT

Sterling and dollar firmer on economic news

By Richard Adams

Worries over the health of Russia's leader and good economic news in the UK gave some life to the dollar and the pound on yesterday's foreign exchange markets.

News of the heart operation planned for Mr Boris Yeltsin, the Russian president, lifted the dollar, while healthier business confidence and the absence of an interest rate cut in Britain helped the pound.

The dollar rose against the yen to Y109.115 at the close of the London market, compared to its previous closing level of Y108.705. Against the D-Mark, the dollar was up slightly to DM1.4848, having been DM1.4823.

Sterling rose to Y171.1 from Y170.2, and to DM2.3280 from DM2.304 against the D-Mark.

But the lack of dramatic movement in the dollar was attributed to dealers waiting for publication today of August's non-farm payroll employment figures. A strong rise in employment figures would harden expectations of an interest rate increase by the Federal Reserve.

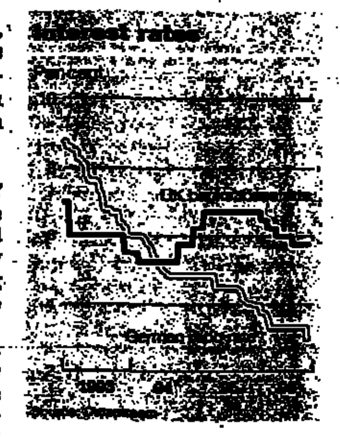
Meanwhile in Germany, the anticipated rebound of the economy in the second quarter was confirmed, putting pressure on the French franc. Overnight, the franc briefly broke through resistance at its old ERM ceiling of FFr3.4305, but buying – apparently by the Bank of France – brought it back down, to its close of FFr3.422.

The lira saw its value rise against the D-Mark, thanks to market talk of a possible Bank of Italy rate cut today, and that it might be made easier for Italy to join a single currency. The lira strengthened to L1018, from L1021.

■ If not now, then when? The decision to leave Britain's base rates unmoved at 5.75 per cent yesterday left the markets guessing when or if a move would be made.

The next meeting between Mr Kenneth Clarke, the chancellor, and Mr Eddie George, governor of the Bank of England, is not scheduled until 23 September. But some in the City think its timing would be too close to the US Federal Reserve's FOMC meeting on 24 September.

In any case, while decisions to cut rates are up to Mr Clarke, the timing of any cuts are in the hands of Mr George. One window of opportunity is the next retail price index, excluding mortgage interest payments (RPIX), announcement on 12 September. Mr Chris Furness, senior market strategist at 4Cast in London, said if RPIX met the Bank's target of 2.5 per cent as forecast, it could provide the "best excuse" for a postponed rate cut.



■ The Bundesbank held a council meeting yesterday and also decided not to cut interest rates. It was not expected to, after Mr Hans Tietmeyer, the central bank's president, had made it clear that rates would not be lowered soon.

That view was borne out by yesterday's economic data, showing a quarter-on-quarter rise in German gross domestic product of 1.5 per cent. London analysts agreed with the prediction of Mr Guenter Rexrodt, the economics minister, that growth for 1996 could go beyond the government's forecast of 0.75 per cent.

The consensus among analysts is that its monetary policy is on hold. Mr Robin Aspinall, chief economist for Europe at the National Australia Bank said: "The only remote possibility is that a combination of weak data and Emu tensions would prompt another easing. Data like today's rule that out. The French franc is on its own."

Meanwhile, the OECD said in a special report that Germany could meet the Maastricht treaty's budget criterion for the single currency if it implements all of its planned austerity measures.

■ Bank of France intervention, and effort to talk up the franc by ministers and the central bank governor, helped keep it confined to its current ranges. But yesterday evening's television address by Prime Minister Alain Juppé, to announce tax reform plans, was being watched for clues to the 1997 budget on 18 September.

■ Pound in New York

Sep 5	—Latest—	— Prev. close —
£ spot	1.5670	1.5670
1 mth	1.5674	1.5673
3 mth	1.5674	1.5673
1 yr	1.5636	1.5630

■ OTHER CURRENCIES

Sep 5	£	$
Czech Rp	41.4792 - 41.5291	26.4620 - 26.4820
Hungary	237.790 - 237.974	151.700 - 151.750
Iran	4704.60 - 4702.50	3000.00 - 3000.00
Kuwait	0.4687 - 0.4687	0.2990 - 0.2995
Poland	4.3083 - 4.3118	2.7485 - 2.7495
Russia	8414.34 - 8422.80	5368.00 - 5371.00
U.A.E.	5.7571 - 5.7602	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Sep 5		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.3812	+0.0526	736 - 888	16.4038	16.3097	16.3499	2.3	16.275	2.6	-	-	105.3
Belgium	(BFr)	47.9449	+0.1204	028 - 869	48.0110	47.7460	47.8469	2.4	47.6589	2.4	46.8899	2.2	107.2
Denmark	(DKr)	8.9813	+0.0151	777 - 848	8.9973	8.9537	8.9675	1.8	8.9472	1.5	8.8394	1.6	108.1
Finland	(FM)	7.0616	+0.0239	561 - 671	7.0710	7.0310	7.0572	0.7	7.0492	0.7	-	-	85.1
France	(FFr)	7.9675	+0.0123	649 - 701	7.9888	7.9477	7.9633	2.1	7.9293	1.9	7.8224	1.8	108.5
Germany	(DM)	2.3280	+0.0076	270 - 289	2.3321	2.3160	2.3231	2.5	2.3134	2.5	2.2712	2.4	107.2
Greece	(Dr)	371.789	+1.336	607 - 820	372.827	370.149	-	-	-	-	-	-	67.2
Ireland	(I£)	0.9646	-0.0004	639 - 652	0.9665	0.9637	0.9641	0.5	0.9629	0.7	0.9584	0.6	100.1
Italy	(L)	2368.94	+0.96	724 - 165	2375.47	2368.54	2374.49	-2.8	2384.34	-2.8	2418.84	-2.0	78.0
Luxembourg	(LFr)	47.9449	+0.1204	028 - 869	48.0110	47.7460	47.8469	2.4	47.6589	2.4	46.8899	2.2	107.0
Netherlands	(Fl)	2.6091	+0.0089	077 - 104	2.6133	2.5995	2.603	2.8	2.5911	2.8	2.5435	2.5	107.4
Norway	(NKr)	10.0419	+0.0178	381 - 457	10.0943	9.9787	10.0364	1.0	10.0164	1.0	9.9320	1.1	97.2
Portugal	(Es)	238.454	+0.646	323 - 586	238.847	237.688	238.879	-2.1	239.784	-2.2	-	-	95.7
Spain	(Pta)	196.734	+0.45	627 - 841	197.047	196.232	196.994	-1.6	197.509	-1.6	198.909	-1.1	80.8
Sweden	(SKr)	10.4101	+0.0149	011 - 191	10.4588	10.4005	10.4104	0.0	10.4105	0.0	10.4085	0.0	88.7
Switzerland	(SFr)	1.8930	+0.0058	920 - 939	1.8988	1.8875	1.888	3.2	1.8772	3.3	1.829	3.4	113.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.8
Ecu	-	1.2345	+0.0037	340 - 350	1.2362	1.2297	1.2332	1.3	1.2302	1.4	1.2168	1.4	-
SDR†	-	1.075800	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5678	+0.0024	672 - 680	1.5728	1.5669	-	-	-	-	-	-	-
Brazil	(R$)	1.5948	+0.0026	943 - 953	1.5987	1.5926	-	-	-	-	-	-	-
Canada	(C$)	2.1478	+0.0026	467 - 494	2.1535	2.1451	2.1469	0.4	2.1433	0.8	2.1352	0.6	84.0
Mexico	(New Peso)	11.9180	+0.0816	114 - 246	11.9601	11.8604	-	-	-	-	-	-	-
USA	($)	1.5679	+0.0024	675 - 682	1.5726	1.5666	1.5675	0.3	1.5675	0.1	1.5684	0.0	96.3
Pacific/Middle East/Africa													
Australia	(A$)	1.9780	-0.0005	749 - 771	1.9867	1.9737	1.9788	-1.5	1.9836	-1.5	2.0088	-1.7	93.2
Hong Kong	(HK$)	12.1250	+0.0204	191 - 308	12.1609	12.1144	12.1189	0.8	12.1053	0.6	12.0555	0.3	-
India	(Rs)	56.2007	+0.0858	246 - 768	56.3768	55.7246	-	-	-	-	-	-	-
Israel	(Shk)	4.9312	+0.0092	262 - 362	4.9589	4.9262	-	-	-	-	-	-	-
Japan	(Y)	171.076	+0.904	999 - 153	171.470	170.470	170.351	5.1	168.861	5.2	162.446	5.0	132.8
Malaysia	(M$)	3.9157	+0.0065	140 - 174	3.9271	3.9128	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2597	+0.0014	583 - 610	2.2685	2.2575	2.2647	-2.7	2.2742	-2.6	2.308	-2.1	108.6
Philippines	(Peso)	41.0856	+0.0316	215 - 496	41.1496	41.0215	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8803	+0.009	788 - 818	5.8979	5.8760	-	-	-	-	-	-	-
Singapore	(S$)	2.2068	+0.0033	047 - 088	2.2126	2.2047	-	-	-	-	-	-	-
South Africa	(R)	7.0522	+0.0296	483 - 561	7.0728	7.0358	-	-	-	-	-	-	-
South Korea	(Won)	1282.89	+1.18	253 - 326	1286.70	1281.87	-	-	-	-	-	-	-
Taiwan	(T$)	43.1096	+0.0699	921 - 271	43.2323	43.0686	-	-	-	-	-	-	-
Thailand	(Bt)	39.7215	+0.1359	969 - 460	39.8260	39.6380	-	-	-	-	-	-	-

† Rates for Sep 4. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 5		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.4482	+0.0178	457 - 507	10.4540	10.4074	10.4287	2.2	10.3887	2.4	10.2032	2.3	105.3
Belgium	(BFr)	30.5800	+0.08	600 - 000	30.6000	30.4640	30.525	2.2	30.4175	2.1	29.915	2.2	107.0
Denmark	(DKr)	5.7284	+0.0009	274 - 294	5.7320	5.7146	5.7209	1.6	5.7039	1.7	5.6349	1.6	107.4
Finland	(FM)	4.5040	+0.0084	015 - 065	4.5085	4.4855	4.4975	1.7	4.4855	1.6	4.44	1.4	84.5
France	(FFr)	5.0818	+0.0001	813 - 823	5.0903	5.0705	5.0743	1.8	5.0603	1.7	4.9913	1.8	108.2
Germany	(DM)	1.4848	+0.0022	845 - 851	1.4858	1.4791	1.4821	2.2	1.4763	2.3	1.449	2.4	108.5
Greece	(Dr)	237.120	+0.49	070 - 170	237.400	236.100	238.795	-8.5	242.145	-8.5	256.12	-8.0	68.9
Ireland	(I£)	1.6255	+0.0032	248 - 262	1.6295	1.6216	1.626	-0.4	1.6269	-0.4	1.6164	0.4	-
Italy	(L)	1510.95	-1.7	020 - 170	1513.72	1509.20	1516.7	-3.8	1525.85	-3.4	1548.8	-2.4	78.0
Luxembourg	(LFr)	30.5800	+0.08	600 - 000	30.6000	30.4640	30.525	2.2	30.4175	2.1	29.915	2.2	107.0
Netherlands	(Fl)	1.6641	+0.0018	638 - 646	1.6655	1.6586	1.6607	2.4	1.6536	2.5	1.6219	2.5	108.9
Norway	(NKr)	6.4049	+0.0018	039 - 059	6.4350	6.3660	6.4019	0.6	6.3964	0.5	6.3599	0.7	97.9
Portugal	(Es)	152.090	+0.18	040 - 140	152.200	151.700	152.405	-2.5	152.995	-2.4	155.14	-2.0	95.8
Spain	(Pta)	125.480	+0.095	440 - 520	125.680	125.100	125.73	-2.4	126.16	-2.2	127.7	-1.8	80.6
Sweden	(SKr)	6.6395	+0.0005	355 - 441	6.6667	6.6218	6.6386	0.2	6.6413	-0.1	6.6193	0.4	88.1
Switzerland	(SFr)	1.2074	+0.0019	070 - 077	1.2090	1.2041	1.2039	3.5	1.1964	3.6	1.1629	3.7	112.5
UK	(£)	1.5679	+0.0024	675 - 682	1.5726	1.5666	1.5675	0.3	1.5675	0.1	1.5718	-0.2	85.3
Ecu		1.2701	-0.0019	698 - 703	1.2747	1.2693	1.2709	-0.7	1.2726	-0.8	1.2818	-0.9	-
SDR†		0.68860	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0172	+0.0001	171 - 173	1.0173	1.0168	-	-	-	-	-	-	-
Canada	(C$)	1.3698	-0.0003	695 - 700	1.3700	1.3664	1.3696	0.1	1.3690	0.0	1.3727	-0.2	83.2
Mexico	(New Peso)	7.6015	+0.0403	990 - 040	7.6050	7.5950	7.763	-25.5	7.948	-18.2	8.7115	-27.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.1
Pacific/Middle East/Africa													
Australia	(A$)	1.2602	-0.0023	599 - 607	1.2607	1.2593	1.2622	-1.9	1.2657	-1.7	1.2844	-1.9	94.3
Hong Kong	(HK$)	7.7335	+0.0011	315 - 355	7.7355	7.7327	7.7342	-0.1	7.736	-0.1	7.763	-0.4	-
India	(Rs)	35.7500	-	500 - 500	35.9500	35.6500	35.9	-5.0	36.205	-5.1	37.875	-5.4	-
Israel	(Shk)	3.1452	+0.0011	427 - 477	3.1477	3.1427	-	-	-	-	-	-	-
Japan	(Y)	109.115	-0.41	090 - 140	109.170	108.780	108.67	4.9	107.77	4.9	104.03	4.7	133.5
Malaysia	(M$)	2.4975	+0.0003	970 - 980	2.4983	2.4955	2.4984	-0.4	2.5045	-1.1	2.528	-1.2	-
New Zealand	(NZ$)	1.4411	-0.0032	407 - 418	1.4418	1.4407	1.4442	-2.6	1.45	-2.5	1.4748	-2.3	-
Philippines	(Peso)	26.2050	-0.02	700 - 400	26.2400	26.1700	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	504 - 507	3.7507	3.7504	3.751	-0.1	3.7517	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4075	-0.0001	065 - 085	1.4085	1.4065	1.404	3.0	1.398	2.7	1.3725	2.5	-
South Africa	(R)	4.4980	+0.012	965 - 995	4.5107	4.4880	4.5455	-12.7	4.6365	-12.2	4.973	-10.5	-
South Korea	(Won)	818.250	-0.5	200 - 300	818.800	818.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.4980	+0.0025	910 - 010	27.5010	27.4880	27.501	-0.2	27.506	-0.1	-	-	-
Thailand	(Bt)	25.3350	+0.048	250 - 450	25.3450	25.2950	25.4337	-4.7	25.6375	-4.8	26.52	-4.7	-

† SDR rate per $ for Sep 4. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 4: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

September 5	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3⅜	3⅛	3⅛	3⅞	6.00	2.50	-
week ago	3⅛	3⅛	3⅛	3⅛	3⅞	6.00	2.50	-
France	3¼	3⅜	3⅞	4⅛	4⅛	3.35	-	4.75
week ago	3⅞	3⅜	3⅞	4⅛	4⅛	3.35	-	4.75
Germany	2⅞	3⅛	3⅛	3⅛	3⅛	4.50	2.50	3.00
week ago	3⅛	3⅛	3	3⅛	3⅛	4.50	2.50	3.00
Ireland	5⅞	5⅜	5⅞	6	6⅛	-	-	6.25
week ago	5⅛	5⅜	5⅜	6⅛	6⅛	-	-	6.25
Italy	8⅜	8⅞	8⅞	8⅞	8⅞	-	8.25	8.56
week ago	8⅞	8⅞	8⅜	8½	8⅛	-	8.25	8.85
Netherlands	2⅞	2⅞	2⅞	2⅞	3⅛	-	3.00	3.30
week ago	2⅞	2⅞	2⅜	2⅞	3⅛	-	3.00	3.30
Switzerland	1⅜	2	2⅛	2⅛	2⅛	-	1.50	-
week ago	1⅛	2	2⅛	2⅛	2⅛	-	1.50	-
US	5⅛	5⅞	5⅞	5⅞	6⅛	-	5.00	-
week ago	5⅛	5⅞	5⅞	5⅞	6⅛	-	5.00	-
Japan	⅛	½	½	⅝	⅞	-	0.50	-
week ago	⅞	½	⅛	⅞	⅞	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅞	5⅞	5⅞	6⅛	-	-	-
week ago	-	5⅞	5⅞	6⅞	6⅛	-	-	-
US Dollar CDs	-	5.18	5.34	5.52	5.89	-	-	-
week ago	-	5.18	5.10	5.33	5.85	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4⅛	-	-	-
week ago	-	4⅛	4⅛	4⅞	4⅛	-	-	-
SDR Linked Ds	-	3⅞	3⅛	3⅞	3⅜	-	-	-
week ago	-	3⅞	3⅛	3⅞	3⅜	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 5	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅛ - 2⅞	3⅛ - 3	3⅛ - 3	3¼ - 3⅛	3⅞ - 3⅞	3⅞ - 3⅞
Danish Krone	3⅞ - 3½	3⅞ - 3½	3⅞ - 3⅝	4 - 3⅞	4⅛ - 3⅞	4⅛ - 4⅛
D-Mark	3⅛ - 3⅛	3⅛ - 3⅛	3¼ - 3	3⅛ - 3⅛	3⅛ - 3⅛	3⅞ - 3⅞
Dutch Guilder	2¾ - 2⅝	2¾ - 2⅝	2¾ - 2⅞	2⅞ - 2¾	2⅞ - 2⅞	3⅛ - 3⅛
French Franc	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅝	4 - 3⅞	4⅛ - 4	4¼ - 4⅛
Portuguese Esc.	6⅞ - 6⅞	7⅛ - 7⅛	7⅞ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛
Spanish Peseta	7⅞ - 7⅛	7⅞ - 7⅛	7⅜ - 7⅛	7⅜ - 7⅛	7¼ - 7⅛	7⅞ - 7⅛
Sterling	5¾ - 5⅝	5⅞ - 5⅞	5¾ - 5⅞	5¾ - 5⅞	5⅞ - 5¾	6⅛ - 6
Swiss Franc	2 - 1⅞	1⅞ - 1⅞	2⅛ - 1⅞	2⅛ - 2⅛	2¼ - 2⅛	2⅜ - 2¼
Can. Dollar	4¼ - 4⅛	4⅛ - 3⅞	4⅛ - 4	4¼ - 4⅛	4⅞ - 4⅞	4⅞ - 4⅞
US Dollar	5¼ - 5	5¼ - 5	5½ - 5¼	5⅞ - 5⅞	5⅞ - 5⅞	6⅛ - 6⅛
Italian Lira	8⅞ - 8	8⅝ - 8½	8⅝ - 8½	8⅞ - 8⅞	8½ - 8⅜	8⅞ - 8¾
Yen	½ - ⅜	⅛ - ⅛	⅞ - ½	½ - ⅞	⅝ - ½	⅞ - ⅞
Asian $Sing	2⅞ - 2⅞	3⅛ - 3¼	3⅛ - 3⅛	3⅛ - 3⅛	3⅜ - 3¼	3½ - 3⅜

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.88	96.00	+0.11	96.00	95.83	33,259	50,106
Dec	95.66	95.84	+0.12	95.84	95.64	39,511	53,513
Mar	95.71	95.86	+0.08	95.86	95.71	6,689	37,135

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.83	96.84	+0.01	96.85	96.83	14822	163598
Dec	96.75	96.76	-	96.77	96.74	50022	240833
Mar	96.58	96.61	+0.02	96.62	96.58	19444	206067
Jun	96.32	96.36	+0.02	96.37	96.32	17443	153859

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.30	91.39	+0.05	91.42	91.29	12478	43159
Dec	91.80	91.85	+0.04	91.88	91.75	14737	49997
Mar	92.09	92.18	+0.06	92.19	92.09	3232	25457
Jun	92.18	92.26	+0.06	92.28	92.18	1307	19309

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.82	97.84	+0.02	97.85	97.82	3135	24126
Dec	97.80	97.80	-	97.82	97.79	2183	39965
Mar	97.61	97.61	+0.01	97.62	97.59	2174	13305
Jun	97.36	97.36	+0.02	97.37	97.34	480	4624

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.44	99.44	-0.01	99.44	99.44	280	n/a
Dec	99.24	99.25	-0.02	99.25	99.24	1202	n/a
Mar	99.06	99.05	-0.04	99.06	99.04	1511	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.64	95.68	+0.03	95.68	95.63	1175	8656
Dec	95.62	95.66	+0.02	95.66	95.62	1028	6783
Mar	95.54	95.57	+0.03	95.57	95.53	197	3130
Jun	95.33	95.37	+0.01	95.38	95.33	148	2976

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 5		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.73	16.62	4.856	1.973	4942	5.442	20.94	497.3	410.3	21.71	3.949	2.086	4.479	3.271	356.9	2.574
Denmark	(DKr)	53.38	10	8.871	2.592	1.053	2638	2.905	11.18	265.4	219.0	11.59	2.108	1.113	2.391	1.746	190.5	1.374
France	(FFr)	60.17	11.27	10	2.922	1.187	2974	3.275	12.60	299.2	246.9	13.07	2.376	1.255	2.695	1.968	214.8	1.549
Germany	(DM)	20.59	3.858	3.422	1	0.406	1018	1.121	4.313	102.4	84.49	4.472	0.813	0.430	0.922	0.674	73.50	0.530
Ireland	(I£)	50.68	9.494	8.422	2.461	1	2504	2.758	10.61	252.0	207.9	11.00	2.001	1.057	2.270	1.658	180.9	1.304
Italy	(L)	2.024	0.379	0.336	0.098	0.040	100.	0.110	0.424	10.06	8.303	0.439	0.080	0.042	0.091	0.066	7.222	0.052
Netherlands	(Fl)	18.37	3.442	3.054	0.892	0.363	908.0	1	3.848	91.38	75.39	3.990	0.726	0.383	0.823	0.601	65.58	0.473
Norway	(NKr)	47.75	8.945	7.935	2.319	0.942	2360	2.599	10	237.5	195.9	10.37	1.885	0.996	2.138	1.562	170.4	1.229
Portugal	(Es)	20.11	3.767	3.342	0.977	0.397	993.7	1.094	4.211	100.	82.51	4.367	0.794	0.419	0.901	0.658	71.77	0.518
Spain	(Pta)	24.37	4.566	4.050	1.184	0.481	1204	1.326	5.104	121.2	100.	5.292	0.962	0.508	1.092	0.797	86.99	0.627
Sweden	(SKr)	46.05	8.627	7.653	2.236	0.909	2276	2.506	9.645	229.0	189.0	10	1.818	0.961	2.062	1.506	164.4	1.185
Switzerland	(SFr)	25.32	4.744	4.209	1.230	0.500	1251	1.378	5.304	125.9	103.9	5.499	1	0.528	1.134	0.828	90.39	0.652
UK	(£)	47.94	8.981	7.967	2.328	0.946	2369	2.609	10.04	238.4	196.7	10.41	1.893	1	2.147	1.568	171.1	1.234
Canada	(C$)	22.33	4.183	3.711	1.084	0.441	1103	1.215	4.676	111.0	91.62	4.849	0.882	0.466	1	0.730	79.69	0.575
US	($)	30.57	5.728	5.081	1.485	0.603	1511	1.664	6.403	152.0	125.4	6.639	1.207	0.638	1.369	1	109.1	0.787
Japan	(Y)	28.02	5.249	4.656	1.361	0.553	1385	1.525	5.868	139.3	115.0	6.084	1.106	0.584	1.255	0.916	100.	0.721
Ecu		38.85	7.278	6.456	1.887	0.767	1920	2.114	8.136	193.2	159.4	8.436	1.534	0.810	1.740	1.271	138.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6757	0.6743	-0.0015	0.6753	0.6743	16,779	67,948
Dec	0.6794	0.6786	-0.0015	0.6797	0.6786	2,349	9,360
Mar	-	0.6845	-	0.6839	0.6839	4	976

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9216	0.9183	-0.0027	0.9187	0.9179	22,515	72,672
Dec	0.9288	0.9304	-0.0027	0.9309	0.9300	4,515	14,410
Mar	-	0.9419	-	-	-	159	486

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8295	0.8296	-0.0002	0.8295	0.8286	11,880	34,849
Dec	0.8362	0.8369	-	0.8369	0.8360	1,480	4,883
Mar	-	0.8438	-	0.8475	0.8430	21	893

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5668	1.5686	+0.0018	1.5716	1.5686	7,310	56,887
Dec	1.5680	1.5698	+0.0030	1.5712	1.5680	1,488	7,357
Mar	1.5670	1.5672	-	1.5672	1.5670	3	11

UK INTEREST RATES

LONDON MONEY RATES

Sep 5	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7½ - 5½	5⅞ - 5⅞	5¾ - 5⅝	5⅞ - 5⅞	5⅞ - 5⅞	6⅛ - 5⅞
Sterling CDs	-	-	5¾ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅝	5⅞ - 5⅞
Treasury Bills	-	-	5⅞ - 5⅞	5⅞ - 5½	-	-
Bank Bills	-	-	5⅞ - 5⅝	5⅞ - 5⅞	5⅞ - 5⅞	-
Local authority deps.	5⅞ - 5⅞	5¾ - 5⅝	5⅞ - 5⅝	5⅞ - 5⅞	5⅞ - 5¾	5⅞ - 5⅞
Discount Market deps	6¼ - 5⅝	5¾ - 5⅝	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount on Aug 30, 5.5148pc. ECGD fixed rate Stlg. Export Finance. Make up day Aug 30, 1996. Agreed rate for period Sep 25, 1996 to Oct 25, 1996, Schemes II & III 7.07pc. Reference rate for period Aug 1, 1996 to Aug 30, 1996, Schemes IV & V 5.825pc. Finance House Base Rate 6pc from Aug 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.24	94.19	-0.07	94.25	94.19	29456	88439
Dec	94.27	94.19	-0.09	94.29	94.17	55776	117949
Mar	94.04	93.98	-0.07	94.09	93.96	29672	82997
Jun	93.67	93.62	-0.06	93.70	93.59	17716	60294
Sep	93.26	93.23	-0.04	93.30	93.20	5172	37393

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9400	0.19	0.26	0.24	0	0.07	0.25
9425	0.02	0.10	0.13	0.08	0.16	0.39
9450	0	0.03	0.06	0.31	0.34	0.57

Est. vol. total, Calls 3489 Puts 3906. Previous day's open int., Calls 157417 Puts 152706

EMS EUROPEAN CURRENCY UNIT RATES

Sep 5	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	161.041	+0.017	-0.89	2.81	6
Netherlands	2.15214	2.13450	-0.0006	-0.82	2.73	6
Belgium	39.3960	39.2293	+0.0056	-0.42	2.32	3
Portugal	195.792	195.141	+0.02	-0.33	2.23	2
Germany	1.91007	1.90451	-3e-05	-0.29	2.18	3
Austria	13.4383	13.4021	+0.0003	-0.27	2.16	2
Ireland	0.792214	0.790134	-0.000265	-0.26	2.16	2
Denmark	7.28580	7.34991	-0.00689	0.88	1.00	-6
France	6.40608	6.52697	+0.00048	1.89	0.00	-16
NON ERM MEMBERS						
Greece	292.867	304.365	+0.309	3.93	-1.96	-
Italy	2106.15	1941.52	-0.9	-7.82	10.58	-
UK	0.786652	0.818889	+0.000126	4.10	-2.12	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
1.540	2.57	2.71	-	-	0.10	0.43
1.550	1.63	1.94	2.36	-	0.28	0.71
1.560	0.75	1.26	1.74	0.06	0.60	1.08
1.570	0.16	0.73	1.23	0.49	1.08	1.56
1.580	0.09	0.38	0.83	1.30	1.72	2.16

Previous day's vol., Calls 4,960 Puts 2,141 . Prev. day's open int., Calls 158,260 Puts 144,160

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.28	94.27	-0.02	94.28	94.26	56,187	336,847
Dec	93.87	93.84	-	93.87	93.83	126,741	470,795
Mar	93.69	93.65	-0.04	93.69	93.64	92,498	318,271

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.80	94.79	-0.02	94.80	94.79	646	4,435
Dec	94.45	94.43	-0.04	94.45	94.43	811	3,683
Mar	94.27	94.25	-0.03	94.27	94.25	213	1,230

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
9675	0.10	0.07	0.09	0.11	0.01	0.06	0.08	0.10
9700	0	0.02	0.02	0.03	0.16	0.26	0.26	0.27
9725	0	0.01	0.01	0.01	0.41	0.50	0.50	0.50

Est. vol. total, Calls 10721 Puts 2083. Previous day's open int., Calls 417518 Puts 355404

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9800	0.01	0.08	0.13	0.17	0.28	0.52
9825	0	0.03	0.06	0.41	0.48	0.70

Est. vol. total, Calls 0 Puts 20. Previous day's open int., Calls 9519 Puts 6440

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9125	0.17	0.89	1.04	0.03	0.08	0.11
9150	0.04	0.48	0.83	0.15	0.13	0.16
9175	0.01	0.32	0.64	0.37	0.22	0.21

Est. vol. total, Calls 4750 Puts 2550. Previous day's open int., Calls 92801 Puts 43151

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	NatWestminster	5.75
Allied Trust Bank	5.75	Duncan Lawrie	5.75	●Rea Brothers	5.75
AIB Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	●Singer & Friedlander	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Smith & Williamson Secs	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	TSB	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of India	5.75	●Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Western Trust	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Whiteaway Laidlaw	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75		
Citibank NA	5.75	Julian Hodge Bank	5.75		
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75		
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	*Mount Credit Corp	6.00		

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COMMODITIES AND AGRICULTURE

Copper still in surplus, says UN study group

By Kenneth Gooding, Mining Correspondent

World copper production in the first half of this year showed a substantial rise while consumption remained sluggish. Yet there was still a supply deficit, according to the International Copper Study Group, a United Nations body.

Mine and refined copper production were 7.9 per cent and 6.3 per cent higher in the half-year than in the same months of 1995, says the ICSG. Total production of refined copper from primary and secondary (scrap) sources was 6.066m tonnes.

Consumption, meanwhile, grew by only 1.2 per cent compared with last year, to 5.158m tonnes. This left refined stocks at about 1.06m tonnes at the end of June, down by nearly 140,000 tonnes since the end of January.

The group points out that, within total production, copper produced by the solvent-extraction, electrowinning method – which does away with the need for smelting – jumped by 43 per cent compared with the first six months of 1995.

GNI Research, part of the Gerrard & National commodities group, says in its latest Commodity Perspective publication that "the introduction of sx-ew has shifted the cost curve sharply to the right so therefore the average price of copper production has come down". Nevertheless, the marginal cost of producing copper remains at 70 to 75 US cents a pound ($1,550 to $1,650 a tonne).

GNI says that, typically, base metal production will continue at prices below marginal cost for about six months before closures occur. But if high cost producers have hedged forward, it is possible that closures could take one or two years.

"This would actually be better for the health of the copper market," argues Mr Lawrence Eagles, GNI's analyst. "The longer copper persists at prices that provide manna from heaven for the lowest cost producers, the greater the explosion in output will be. It is sobering to realise there are copper producers who would still be making a 25 per cent profit at $900 a tonne (41 cents a pound). Some can currently pay back the investment of a new development in just two years at current prices."

Mr Eagles suggests that, because the copper market has been in deficit for most of the past ten years and prices have been buoyant, "copper supply is on the verge of an explosive surge".

He predicts a supply surplus of about 189,000 tonnes will emerge this year, 150,000 tonnes of it in the second half. In 1997, "preliminary indications" suggest the surplus would be 450,000 tonnes.

He suggests that the average price of copper for delivery in three months on the London Metal Exchange will fall to $2,155 a tonne (98 cents a pound) before sliding to $1,700 to $1,750 in 1997 (77 cents to 79½ cents). He adds: "$1,600 should provide a reasonable target for trading low next year. However, it will not be a floor forever".

Peruvian zinc mine swings into top gear

Sally Bowen reports on the development of the Iscaycruz deposit, 4,800m above sea level

At a breathless 4,800m above sea level and surrounded by still higher jagged peaks Peru's first new zinc mine in a decade is now swinging into top gear. This month throughput at the rich Iscaycruz zinc deposit should reach the concentrator plant's initial 1,000 tonnes-a-day installed capacity, making it the country's leading privately-owned zinc producer.

Controlled by Glencore of Switzerland (the Zug-based minerals trader and successor to Marc Rich), with a 25 per cent state participation, Iscaycruz is scheduled to produce 125,000 tonnes of zinc concentrates (an intermediate material) a year in its first phase, boosting Peruvian national output by 12 per cent.

Ore grades are averaging 21.4 per cent zinc, considerably higher than projected. That makes Iscaycruz one of the world's richest zinc mines. Future potential looks even more encouraging: operations so far are restricted to just 5 per cent of the 27,000-hectare claim area.

Mr Juan Jose Herrera, Iscaycruz's general manager, says the company will be looking for a joint venture partner as early as next year for exploration work on two new deposits known as Limpe Norte and Chupa. Savage Zinc of Australia and Canada's Cominco – which bought Peru's former state-owned Cajamarquilla zinc refinery in November 1994 and is considering expansion – could be candidates.

At present operations are concentrated on the two orebodies that make up Limpe Centro, the 3.7m tonne deposit on which the investment decision was made. Here, open-pit and underground operations are being carried out simultaneously.

Exploration is also under way at the Limpe Sur deposit: samples are being eagerly analysed with some showing grades in excess of 40 per cent zinc. "There's definitely something there," says Mr Herrera, "but it's too early to say for sure how good the overall grades are."

The story of Iscaycruz is not unlike that of many interesting but long-neglected Peruvian mining prospects. It was first discovered by the former US-owned Cerro de Pasco Corporation, which, under the left-wing military regime's expropriations and nationalisations in the early 1970s, became Centromin. The prospect, well-studied by Peru's geological institute Ingemmet and Japan's Metal Mining Agency, passed on to the books of Mineroperu.

Iscaycruz then lay for years coveted but largely undeveloped by the cash-strapped state mining company. Finally, shortly after the new Fujimori government took office in 1990, a special regime was established allowing Mineroperu to associate with three private sector companies – Paralbuna do Metais and Odebrecht of Brazil, and Peru's Buenaventura – and thus secure the necessary funding for expansion.

Subsequently, in a two-stage operation, Glencore bought out the original shareholders and it now holds 45 per cent on its own account, plus 30 per cent through the locally-listed zinc mining operation Perubar, which it controls.

Investment so far has totalled $52.7m, slightly over budget. Over half has gone on mine equipment and development, the concentrator plant and the slurry pipe which, for ease of transport, takes the concentrates 24km down the mountain to a mere 2,200m above sea level. Here, they are de-watered and trucked some eight hours to Lima's port of Callao.

Iscaycruz's concentrator plant is not yet up to speed. Throughput varies between 500 and 700 tonnes a day. Although design capacity is for 1,000 tonnes, which managers expect to be reached this month, the plant has processed as much as 1,500 tonnes within 24 hours on a trial basis and on-site managers say raising throughput to 2,000 tonnes would be simple and relatively inexpensive.

Operations are at present concentrated on stripping the zinc-bearing ore from a mineralised outcrop in the orebody known as Olga. Although by next March mining at Olga will be completely underground, some 180,000 tonnes of ore can be extracted using open-pit methods. Here, operating costs are between $10 and $12 per tonne of ore, compared with $18 for underground operations.

Glencore is already exploring on its own account in Limpe Sur. Company officials remain cagey: "There's definitely something there, but we need more time to evaluate the grades", says Mr Herrera.

Mr Ricardo Briceño, Glencore's representative in Peru, is optimistic about the future of zinc. "Ecologically speaking, it's marvellous and the current international price is low," he says.

In what appears to be a move away from the traditional trading role it inherited from the Marc Rich days and into production, Glencore remains interested in acquiring through "capitalisation" the state-owned Vinto smelter and refinery complex near Oruro, Bolivia.

The partial privatisation of Vinto has been much delayed by worker resistance at the Comibol-controlled Huanuni and Colquiri mines. It is, however, hoped to sign an alliance with a private sector investor-operator before the end of the year.

Brazil's Paranapanema Group, one of the country's principal exporters of copper and zinc, is one of several international mining companies evaluating the production units of state-owned Centromin, which are scheduled for sell-off in coming months. Others include Cominco, Echo Bay and Rio Algom, all of Canada, and Mexico's Peñoles. Paranapanema says it has up to $100m earmarked to spend in Peru over the next five years.

Yauricocha is the first Centromin unit to go under the hammer with auction date set for next Friday. A polymetallic zinc, lead and copper mine with some silver and gold, Yauricocha has a minimum price tag of $10m. Additionally, the new owner will be required to invest at least $18m in the next three years.

The Centromin privatisation committee expects to follow Yauricocha in late October with Casapalca, also polymetallic. Centromin's hydro-electric plants will be offered in December and the vast smelter and refinery complex in January 1997.

Pulp producers announce more price rises

By Bernard Simon in Toronto

Several European and North American wood pulp producers have announced their second price increases in three months.

With the market finely balanced, the mills' ability to push through another increase is expected to hinge on their willingness to sustain recent production cuts, and on fourth-quarter paper consumption. Price hikes for a number of paper grades are also in the pipeline.

Weyerhaeuser, the world's biggest pulp producer, plans to raise the price of northern bleached softwood kraft, the industry benchmark, by US$40 to $620 a tonne on October 1. Several Canadian and Swedish producers have announced a $50 increase. Hardwood pulp mills have posted similar increases.

The pulp market has been unusually volatile over the past three years. NBSK prices surged from $390 a tonne at the end of 1993 to a peak of almost $1,000 in summer 1995. They then plummeted by almost 50 per cent as mills and consumers unloaded excess inventories.

Production cutbacks have restored a measure of equilibrium to the market in recent months. Mills raised NBSK list prices by $60 to $580 in July, but the full increase has only recently been implemented.

Mr Alex Yambanis, president of Toronto-based St Anne Pulp Sales, which represents a large North American producer, said "the market is in overall balance. There is no shortage of pulp, but there is not a perception of an increase in inventories that would put the price increase in jeopardy."

Demand for printing and writing papers in Europe has improved recently, and producers detect signs of a rebound in purchases of lightweight coated grades, used mainly for magazines and catalogues. Demand in some Asian countries, notably Japan and South Korea, is also relatively buoyant.

However, Mr Roger Wright, a UK-based analyst, said the recent pick-up in demand was mainly due to restocking rather than higher paper consumption.

He said prices might slip back if stocks continued to rise. "Much will depend on production rates in the fourth quarter," he warned.

Mr Yambanis agreed that "the game will be dependent on the resolve of us producers to take downtime."

Cocoa demand cut feared

By Deborah Hargreaves

Cocoa producers meeting in London next week will discuss the use of vegetable fat in chocolate, which producers believe will lead to a drop in demand for cocoa of between 200,000 and 250,000 tonnes a year, according to a statement from the Ivory Coast, the world's largest producer, yesterday.

The European Commission has been wrangling over the reform of its 1973 chocolate directive for many months.

It is debating a move to allow more countries to use vegetable fats in chocolate – Britain, Denmark and Ireland use up to 5 per cent vegetable fat while others use only cocoa butter.

"Producers are right to be worried. There will be a very simple substitution of vegetable fat for cocoa which will harm producers and have a negative effect on prices," said Mr Zsolt Papp, commodities analyst at UBS.

Mr Papp believes the drop in demand will be around 120,000 tonnes. The European Union uses 1.1m tonnes of cocoa beans a year – mainly for chocolate.

The Ivory Coast estimates the drop in demand for cocoa will cost producers some US$600m a year.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1458-59	1492-93
Previous	1474-75	1509-10
High/low	1474	1512/1486
AM Official	1473.5-74	1508-08.5
Kerb close		1491-92
Open int.	206,941	
Total daily turnover	39,777	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1240-50	1275-85
Previous	1258-63	1292-97
High/low		1288
AM Official	1252-55	1286-87
Kerb close		1280-90
Open int.	4,874	
Total daily turnover	803	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	815.5-6.5	811-2
Previous	821-2	815.5-6.0
High/low	820	818/810
AM Official	820-1	814-5
Kerb close		813-4
Open int.	33,572	
Total daily turnover	6,904	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7380-90	7480-85
Previous	7490-500	7590-600
High/low	7431	7550/7420
AM Official	7431-32	7530-32
Kerb close		7495-500
Open int.	37,629	
Total daily turnover	10,345	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6170-80	6225-30
Previous	6205-15	6260-65
High/low	6192	6255/6220
AM Official	6192-95	6250-55
Kerb close		6220-25
Open int.	14,381	
Total daily turnover	3,242	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1013-14	1039-40
Previous	1013.5-14.5	1040-40.5
High/low	1015.5/1014.5	1043/1039
AM Official	1015.5-16	1041.5-42.5
Kerb close		1039-40
Open int.	63,696	
Total daily turnover	14,230	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1943-48	1937-39
Previous	2051-53	2030-32
High/low	2015/2012	2037/1925
AM Official	2012-13	1999-2000
Kerb close		1927-29
Open int.	195,085	
Total daily turnover	76,057	

■ LME AM Official £/$ rate: 1.5688
LME Closing £/$ rate: 1.5679

Spot: 1.5673 3 mths: 1.5670 6 mths: 1.5684 9 mths: 1.5702

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	89.90	-6.25	95.50	89.60	820	6,006
Oct	89.50	-5.60	93.40	89.60	75	1,920
Nov	89.30	-5.50	92.50	89.40	7	1,448
Dec	89.00	-5.40	94.40	88.90	5,781	24,980
Jan	88.50	-5.20	92.75	88.40	8	1,017
Feb	88.00	-5.10	92.15	92.15	4	800
Total					7,540	56,282

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	386.00-386.30		
Opening	386.00-386.30		
Morning fix	386.00	246.06	465.36
Afternoon fix	386.007	246.06	466.40
Day's High	386.30-386.60		
Day's Low	385.75-386.05		
Previous close	385.70-386.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.35 6 months 4.10
2 months ....4.35 12 months 4.16
3 months 4.34

Silver Fix	p/troy oz.	US cts equiv.
Spot	331.25	519.75
3 months	335.45	526.25
6 months	339.40	532.90
1 year	347.75	546.90

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	246-248
Maple Leaf	392.70-395.20	
New Sovereign	88-90	55-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE
NYMEX (42,000 US galls; c/US galls)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

Sep	1102	-9	1105	1085	79	835
Oct	1210	-3	1225	1190	300	1,521
Nov	1243	-5	1255	1240	6	77
Jan	1262	-	1265	1255	27	899
Apr	1270	-2	-	-	-	241
Jul	1135	-	-	-	-	27
Total					412	3,881

	Close	Prev
BFI	1072	1079

FUTURES DATA
All futures data supplied by CMS.

Wool

Auction prices held firm this week with only very minor changes. The Australian market indicators were just a few cents down with the Eastern market easing 8 cents to 607 and the Western down 11 cents at 542. The New Zealand indicator was unchanged *at 485 cents. At the end of last week the* Australian Primary Industries Minister announced that stockpile disposal policy would become more flexible. In weak markets the legislated 182,000 bales each quarter could be reduced to 90,000 and stronger markets could see it raised to 350,000 bales. The previous fixed scheme led to reduced wool production. Traders now foresee difficulties for Wool Int. in balancing the need for rising wool production against disposal pressures.

SOFTS

■ COCOA LCE (£/tonne)

[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Sep	113.00	-1.80	115.50	113.00	570	748
Nov	103.10	-2.10	106.40	103.00	5,333	8,610
Jan	104.15	-2.30	107.50	104.10	1,197	5,090
Mar	106.00	-2.26	109.50	106.00	355	1,706
May	108.00	-2.25	110.75	108.50	124	502
Jul	109.70	-2.35	-	-	-	194
Total					7,579	17,177

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Sep 5	Sep 4 5	month ago	year ago
1951.5	1953.9	1931.6	2194.6

■ CRB Futures (Base: 1967=100)

Sep 4	Sep 3	month ago	year ago
247.10	248.98	-	-

■ GSCI Spot (Base: 1970=100)

Sep 4	Sep 3	month ago	year ago
199.07	201.11	198.04	181.58

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]						
Apr	72.625	+0.125	73.000	72.550	104	1,658
Jun	77.625	+0.225	77.850	77.400	73	1,549
Jul	75.400	-	75.600	75.300	35	332
Total					5,836	31,124

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	78.925	+1.075	77.325	76.100	1,602	4,911
Mar	76.875	+0.850	77.550	76.350	341	1,025
May	77.950	+0.925	78.200	77.400	207	288
Jul	78.450	+0.950	78.450	77.500	9	76
Aug	77.400	+0.700	77.400	75.050	3	21
Total					2,159	6,321

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1400	75	124	3	18
1500	13	61	40	53
1600	1	25	127	114
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
1800	157	176	18	58
1900	88	120	48	100
2000	42	78	102	156
■ COFFEE LCE	Nov	Jan	Nov	Jan
1600	57	78	95	152
1650	40	63	128	187
1700	28	50	166	224
■ COCOA LCE	Dec	Mar	Dec	Mar
975	40	60	47	44
1000	31	48	63	57
1025	23	38	80	72
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
2150	-	83	-	-
2200	30	-	-	-
2250	-	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$19.84-9.91	-0.025
Brent Blend (dated)	$22.08-2.10	-0.12
Brent Blend (Oct)	$22.08-2.10	-0.07
W.T.I.	$23.38-3.40x	-0.095

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$224-226	-4
Gas Oil	$217-218	+6
Heavy Fuel Oil	$108-109	+0.5
Naphtha	$202-205	
Jet fuel	$245-247	+6
Diesel	$225-227	+6

■ NATURAL GAS (Pence/therm)

Bacton (Oct)	14.30-14.45	+0.05

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

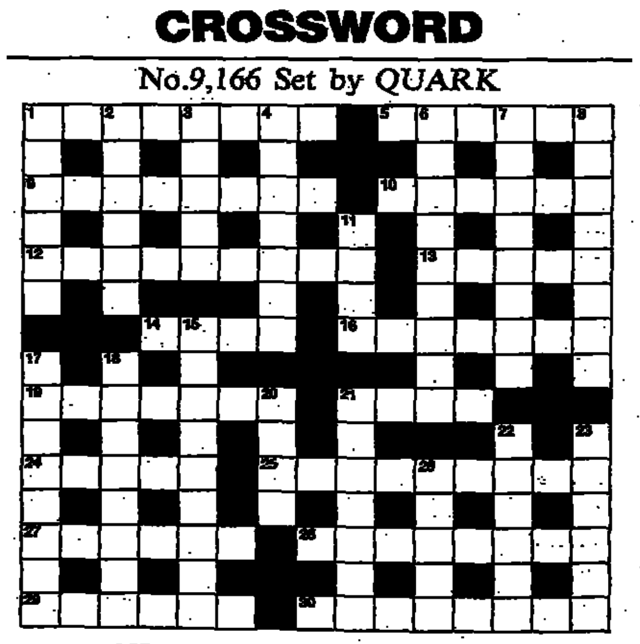
Gold (per troy oz)♣	$386.15	+0.25
Silver (per troy oz)♣	518.50c	
Platinum (per troy oz.)	$394.25	-0.25
Palladium (per troy oz.)	$125.00	-0.25
Copper	101.0c	-1.0
Lead (US prod.)	46.00c	
Tin (Kuala Lumpur)	15.18r	+0.05
Tin (New York)	290.50	+1.00
Cattle (live weight)	95.51p	+2.27*
Sheep (live weight)	123.09p	+6.91*
Pigs (live weight)†	108.27p	+6.81*
Lon. day sugar (raw)	$311.70	-1.60
Lon. day sugar (wte)	$368.00	-3.50
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	$141.5v	
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	88.75p	-0.25
Rubber (Nov)♥	88.75p	-0.25
Rubber (KL RSS No1)	332.50m	
Coconut Oil (Phil)§	$745.0z	-5.0
Palm Oil (Malay.)§	$565.0v	-5.0
Copra (Phil)§	$475.0z	
Soyabeans (US)	227.0	
Cotton Outlook'A' index	75.75	-0.80
Wooltops (64s Super)	428p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. v Sep. x Oct. z Aug/Sep ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on n/a head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,166 Set by QUARK



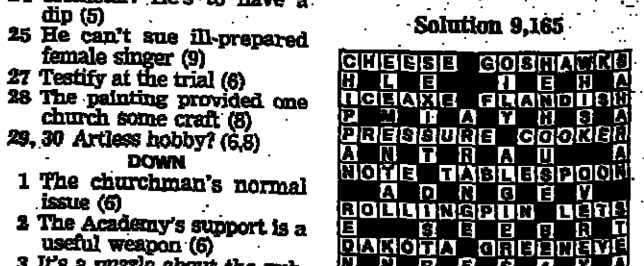
ACROSS

1, 5 He'd like his work to be recognised (8,6)
9 State bar set in a reminder of the past (8)
10 The morning exam lacking proper standards? (6)
12 Put too much *stress* above second gallery (9)
13 Gravestone inscription concerning the cathedral place (5)
14 Fellow's employment part of the circuit? (4)
16 If returning to the loch, English can show tact (7)
19 Standing one's a good reception (7)
21 Name the building plot, say (4)
24 Cricketer? He's to have a dip (5)
25 He can't sue ill-prepared female singer (9)
27 Testify at the trial (6)
28 The painting provided one church some craft (8)
29, 30 Artless hobby? (6,8)

DOWN

1 The churchman's normal issue (6)
2 The Academy's support is a useful weapon (6)
3 It's a puzzle about the public transport (5)
4 Copy one at time, perhaps (7)
6 Artist making a mark in the new term (9)
7 Resting at home with the engineers set (2,6)
8 Inspired story-time in unusual end (8)
11 Carp? No, this is meat (4)
15 Applicable to all cases signified by "U" (9)
17 The best money for the most senior officers (3,5)
18 Jack of all trades, model of tact? With hesitation (8)
20 Pleasant resort (4)
21 Displeasure shown? Put on better face after tea (7)
22 Useless fuel – it's slack (6)
23 Drop in yield (6)
26 Plant support in wet ground (5)

Solution 9,165



مكبر من الاصل

RECRUITMENT

Europeans are envious of the US labour market but it is not as healthy as it seems, says **Robert Taylor**

A closer look at an optimistic picture

The US labour market – renowned for its flexibility – continues to impress many European policymakers who are worried by their own continent's unemployment crisis. The US is seen as a sharp contrast to Europe, which is bound by over-regulation and high cost burdens.

The US official monthly jobless rate of about 5 per cent contrasts sharply with an average of about 10 per cent in the European Union. But this week's pre-release of the biennial report on the state of working America from the Economic Policy Institute, the Washington-based think tank, suggests the commonly held optimistic picture needs to be heavily qualified.

American workers are suffering from pay stagnation, growing income inequality as well as job insecurity, the report argues. Pat Buchanan, the Republican presidential hopeful, tried to exploit those discontents in the Republican primaries without success – but this does not mean the concerns are not genuine.

"Although employment and national income are growing and unemployment is falling, the incomes of the vast majority of workers have not yet returned to their pre-recession 1989 level," says the report. "If the current expansion should end within the next two years or so, it is unlikely that family incomes will be higher at the end of the business cycle than at the beginning. The primary problem is the broad-based erosion of wages and growing wages inequality that have continued as strongly in the 1990s as in the 1980s."

The outlook is a gloomy one. As the report says: "The US has already taken the low-wage path to well-being due to the cumulative impact of both government policy and business strategy. The economic shift to a more deregulated economy over 1979-94 has been all pain and no gain." It goes on to describe the "fundamental economic problem" facing the US labour market. This is how "to generate adequate income growth for the majority based on jobs-paying high hourly wages and benefits". But on the evidence it is hard to see the prospect of any immediate improvement.

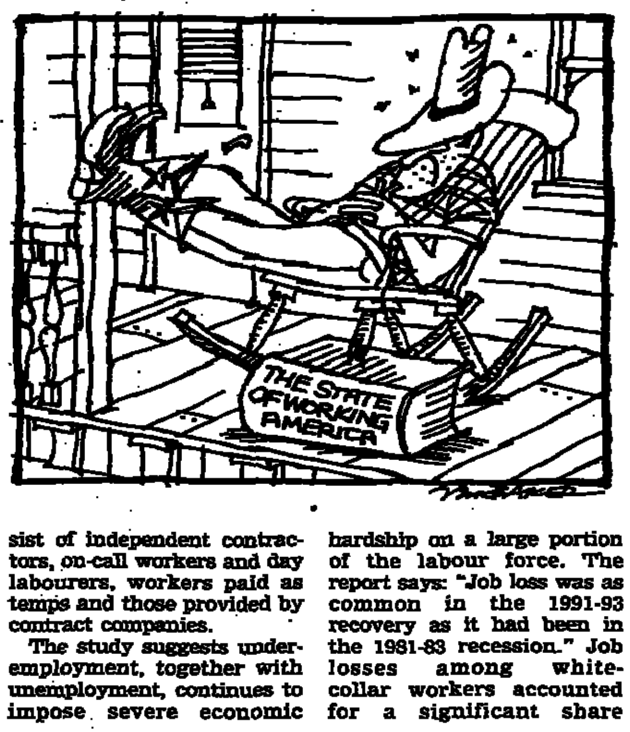
The centre-left think tank is keen to avoid drawing any political conclusions. "Presidential years do not correspond to business cyclical peaks or troughs and are therefore inappropriate time periods for economic analysis," it points out.

What particularly worries the report's authors in the longer term is the growth in employment insecurity even in the present economic recovery. The institute presents data which suggest 10.1 per cent (13.47m people) are "underemployed", twice the registered jobless total.

That figure includes 4.5m workers in part-time employment who want to work full time, and the so-called "discouraged" workers. They are defined as those who want to work but have been discouraged by their lack of success. There are also the people who are neither working nor looking for work at the moment but who indicate they want and are available to work and have searched for a job over the past 12 months.

The so-called "contingent" workforce which is hired on a temporary basis has also increased. In 1986 36 per cent of businesses used an internal pool of temporary workers. Three years later 97 per cent of companies reported the use of temporary employment agencies and 78 per cent carried out independent contracting. In 1995 an estimated 4.9 per cent of workers (6m) said they did not expect their jobs to last more than one more year.

The US Bureau of Labor Statistics has estimated that 12.2m workers are employed on what it calls "alternative arrangements". These consist of independent contractors, on-call workers and day labourers, workers paid as temps and those provided by contract companies.



The study suggests underemployment, together with unemployment, continues to impose severe economic hardship on a large portion of the labour force. The report says: "Job loss was as common in the 1991-93 recovery as it had been in the 1981-83 recession." Job losses among white-collar workers accounted for a significant share of the increase, it adds.

"Since the average job loser's new job pays about 15 per cent less than his or her old job, the sustained, high level of job displacement has profound implications for American living standards," the report says. The study highlights an important employment shift in the labour market during the 1990s towards low-wage jobs in private services as higher-paid manufacturing declines.

The study takes a pessimistic view of the future. While it accepts an that increasing number of the new jobs will require greater skills from applicants – especially higher basic literacy and numeracy standards – it does not believe the employment structure means the emergence of more higher-paying jobs. It also forecasts a slowdown in the demand for more qualified workers.

The Economic Policy Institute provides a number of explanations. Although no over-riding factor is highlighted, the study does suggest there are "general deregulatory, laisser faire shifts in the economy" which have "weakened the bargaining power of workers, both union and non-union, both blue- and white-collar". It estimates that between two-thirds and three-quarters of the growth in wage inequality has been caused by the "weakening of labor-market institutions [that is, trade unions, collective bargaining and the national minimum wage], the impact of globalisation and the move into low-wage service industries".

None of this seems likely to make much difference to the outcome of this November's presidential election. But those in Europe who continue to draw inspiration from the bouyancy of the US labour market may find much food for thought if they read this carefully researched study when it becomes available later on this year.

The State of Working America. Available in December from Economic Policy Institute, 1660 L Street, NW, Suite 1200, Washington DC 20036.

Corporate Finance

Equities Division

Kleinwort Benson is a leading international Investment Bank based in the City. During 1995 Kleinwort Benson became a member of Dresdner Bank AG, one of Europe's leading financial services groups. The combined skills and resources of the two groups have created a leading force in international banking.

The Corporate Broking department, which is part of Kleinwort Benson's Equities Division, is responsible for advising a portfolio of over 130 UK corporate clients. Over 100 of these clients are industrial and commercial companies with the remainder consisting of investment trusts.

The success of the Corporate Broking department means that it is seeking to recruit additional professionals who either have corporate finance experience or who are newly qualified ACAs or solicitors.

Successful candidates will be involved in a variety of different projects and transactions ranging from flotations, equity raisings, mergers and acquisitions to generalist advisory work. As a result of the demanding environment and the breadth of business covered, the department has a closely integrated and supportive culture.

We are looking for either candidates with at least 3 years experience in Corporate Broking or in Equities orientated Corporate Finance or for recently qualified ACAs or solicitors who can combine strong analytical skills with creativity and flair.

Candidates interested in applying for these positions should send career details with a covering letter to Ms Gill Crofton, Personnel Department, Kleinwort Benson Limited, P. O. Box 560, 20 Fenchurch Street, London EC3P 3DB.

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- Originate ideas, through research for cross border mergers and acquisitions throughout the Nordic region
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- Contribute to client presentations
- Participate in the execution of transactions

THE CANDIDATE

- A graduate with a masters degree or professional qualification
- A minimum of two years corporate finance experience gained within an investment bank, strategy consultancy or corporate finance department of a professional accountancy firm
- An excellent knowledge of Scandinavian corporates, spoken and written fluency in at least one of the Scandinavian languages, as well as English, is essential

Interested candidates should apply by submitting their Curriculum Vitae to John Axworthy at Axworthy Oliver Associates, St Martins House, Priory Court, Pilgrim Street, London EC4V 6DR or alternatively call him on 0171 329 3434, Fax 0171 248 0073.

Axworthy Oliver Associates

Search and Selection

Country Operations Manager

Athens, Greece

AMERICAN EXPRESS BANK

American Express Bank Ltd is a major US bank with a presence in 36 countries worldwide. We are a trusted partner for wealthy entrepreneurs and local financial service institutions. Our principal businesses are correspondent, commercial and private banking and consumer financial services.

American Express Bank Ltd is an Equal Opportunities employer.

American Express Bank Ltd is recruiting an Operations Manager for its Greek Headquarters in Athens. There is a seven bank branch network in Greece, providing a full range of international corporate and consumer banking services to the Greek community.

This position will carry significant responsibility and will report to the Regional Operations Director in the UK and an indirect reporting line to the Country Manager. The principal duties will be managing the day to day operational requirements of the branch network ensuring adherence to internal and local regulatory requirements, audit, compliance and quality supervision. Specific responsibilities include the management of centralised departments, global banking systems implementation in Greece and EDS relationships.

Candidates will have at least 10 years experience gained within international banking. Experience should include the management of an Operations Team, with particular emphasis on people management, budgetary control and systems implementation. Additionally, applicants must demonstrate a proven track record in change management. Knowledge of Greek market environment is preferable.

Candidates may be locals or expatriates, but preference will be given to those candidates with fluent Greek and English.

The remuneration offered is highly competitive and will include generous relocation assistance.

Interested applicants should write with their CV, in confidence, to Helen Highet, Managing Consultant at the address below.

Jonathan Wren & Co Limited, Financial Recruitment Consultants, No.1 New Street, London EC2M 4TP Telephone 0171 623 1266 Facsimile 0171 626 5257

JONATHAN WREN

b a n k i n g

P30245

Department Head - Securities Settlement

Poole, Dorset

AMERICAN EXPRESS BANK

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American Express Bank Ltd is an Equal Opportunities employer.

American Express Bank Ltd is recruiting an individual to head up its Securities Settlements function in its Regional Headquarters based in Poole, Dorset. The department is currently based in London, and will relocate to the Poole office by year end. Poole provides operational support to AEB offices worldwide for business areas including Treasury, Trade Finance, Securities and Derivatives.

This is a management position with total responsibility for the management of AEB's Global Securities Custody Operations. The Manager will manage all aspects of the settlement activity for all AEB branches within Europe and will also act as Custodian for AEB worldwide.

Candidates will have at least 10 years experience of operations gained within International Banking. Experience should include extensive securities product expertise to include international fund transfers, foreign exchange and in depth knowledge of securities settlements. Candidates must have proven leadership, interpersonal and communication skills. Additionally applicants must demonstrate a proven track record in change management and systems development.

The remuneration offered is highly competitive and includes generous relocation assistance.

Interested applicants should write with their CV, in confidence, to Helen Highet, Managing Consultant, at the address below.

Jonathan Wren & Co Limited, Financial Recruitment Consultants, No.1 New Street, London EC2M 4TP

JONATHAN WREN

b a n k i n g

Structured Finance

City **£ Excellent**

Our client is a premier US Investment bank with an enviable reputation in the global capital markets arena. Due to increased levels of business, they are currently looking to hire an Associate to join their Structured Finance Team. The emphasis will be on negotiating and structuring leveraged finance transactions across Europe.

The role will concentrate on the analysis, valuation and structuring of transactions and the negotiation of debt facilities. This will require an individual with an excellent understanding of capital and loan markets, particularly in Eastern Europe and the requisite communication skills to conduct client presentations.

Candidates of interest will possess outstanding academics with excellent communication and negotiation skills, a confident and assertive manner and a commercial approach.

Other key characteristics will be:

- Experience in the development of investment processes, company valuations and complex credit issues.
- An ability to determine and evaluate methods for enhancing investment portfolios of target companies.
- At least 3 years experience in investment management.
- An appreciation of global capital markets in order to meet funding and risk management requirements.
- Fluency in another European language (preferably German).

This is an exciting opportunity for a highly motivated individual to develop their career within a high profile team.

Interested candidates should write to Anne Davis at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH, quoting reference 260083. Alternatively, telephone her on 0171 269 2305.

Michael Page City

International Recruitment Consultants

London Paris Frankfurt Hong Kong Sydney

INSAS BERHAD

We are a diversified public listed company based in Malaysia with interests in financial services, healthcare, property investment and development, high technology, oilfield engineerin services and consumer products.

We have substantial investments in Malaysia, Hong Kong, Singapore and Australia. Due to continued expansion we have a number of vacancies in various positions that we would like to invite suitably qualified individuals to come and talk to us. We would especially like to talke to exceptionally talented and ambitious young people who would like to participate in a very pro-active way in helping to shape and organise the future direction of a major public listed corporation.

Foreign residents who have the relevant working background and experience and would like to work in Malaysia are also invited to apply. Our remuneration package will be attractive.

1. **BUSINESS DEVELOPMENT - GENERAL MANAGER**

   Requirements:
   - The candidate is likely to be at least in the mid-thirties to have acquired the relevant experience and seniority.
   - Applicants should have a relevant degree in economics, business studies or accounting and would have worked for several years in a diversified multi-national company, bank and trading house.
   - *The successful candidate will be responsible for seeking and developing business opportunities for the Group* including new areas of growth.

2. **BUSINESS DEVELOPMENT MANAGERS**

   Requirements:
   - Business Development Managers are required to support the General Manager in preparing feasibility studies, board presentations and generally assisting in formulating business strategies.
   - Applicants will need to have a degree in Business Administration, Economics, Accounting or other relevant qualifications and working experience such that they are financially numerate and are comfortable with spread-sheet presentations on financial projections and analysis.

3. **PUBLIC RELATIONS MANAGER/ ASSISTANT MANAGERS**

   Requirements:
   - Applicants ideally should have a degree or relevant work experience in Mass Communication, Public Relations or Journalism.
   - Those who have worked in organisatiosn such as airlines and private banking in major international banks that are very service and customer oriented may also be suitable for these positions.
   - The right candidates should have good interpersonal skills and be able to handle all liaison and media matters between the Company and members of the press.
   - Additionally, they are also expected to assist in developing and strengthening relations with the Group's business associates.

4. **EXECUTIVE ASSISTANTS TO THE GROUP CHIEF EXECUTIVE OFFICER**

   Requirements:
   - To assist the Group Chief Executive to inter-face with the various divisions of the Group particularly in assisting the Chief Executive to process and evaluate project papers and feasibility studies.
   - Candidates should have a degree in Business Administration, Economics, Accounting or other similar qualifications and several years of work experience in accounting and project analysis.
   - Those who have worked in a major multinational organisation or financial institution would have an advantage.

Interested candidates are invited to write in or fax their resume stating working experience, current and expected salaries, contact telephone and fax numbers together with a recent passport sized photograph (NR) to:

The Human Resources Manager
Insas Berhad
Executive Floor Level 14, Annexe Block
Shahzan Prudential Tower
30, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Telephone: 60-03-245 5020 Fax: 60-03-244 1476

Closing date: 15th September 1996

JAPANESE EQUITY MANAGER

DUBLIN

Our client is a leading Irish investment firm with a substantial asset management team.

MERC Partners has been retained to assist in recruiting an Asset Manager with particular expertise in the Japanese equity market.

The person appointed will be responsible for the management of a Japanese equity portfolio and will join an established team of investment professionals. Participation in the formulation of global investment strategy and the communication of this strategy to a broad client base will be key elements of this role.

Candidates will have a business or professional qualification with at least five years relevant experience and a proven track record in the management of Japanese equities. They will be team players who can demonstrate strong interpersonal and communication skills.

The remuneration package will be commensurate with the importance of the position.

Please write - in strict confidence - enclosing a curriculum vitae and quoting reference number 96495 to:

Brian G. Ward,
MERC Partners,
12 Richview Office Park,
Clonskeagh, Dublin 14,
Ireland.
Fax: 00-353-1-2830550
email: postmaster@merc.ie

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EUROPEAN SPECIAL INVESTMENT GROUP

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This highly successful team specialises in the proprietary investment of the bank's capital in a variety of special situations. These include amongst others distressed & high yield debt, equity & merger arbitrage.

This is an extraordinary opportunity for a highly talented analyst to broaden their capital markets experience.

This group has an exceptional track record and is seeking to expand the scope of its activities through the recruitment of an additional team member. The investment process is highly consensual in nature, hence the person will be rapidly involved in the decision making process.

Initially responsibilities will include:

- Evaluating in detail companies within OECD Europe.
- Creating models and analysing arbitrage & turnaround situations
- Identifying attractive investment opportunities in distressed assets through detailed due diligence
- Participating in the portfolio management process.

Candidates will be highly motivated and possess 2-3 years' experience within a corporate finance, valuation or credit environment. Alternatively, an exceptional MBA or Chartered Accountant might possess the necessary analytical attributes. Knowledge of an additional major European language would be preferable.

If you have the necessary prerequisites, please contact **David Heron or Richard Parnell at Robert Walters Associates by sending a detailed CV stating current remuneration to 25 Bedford Street, London WC2E 9HP or faxing details for his attention on 0171 915 8714. E.mail: david.heron@robertwalters.com.**

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Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday
For further information please call:

Andrew Skarzynski
+44 0171 873 4054

Toby Finden-Crofts
+44 0171 873 3456

Senior Derivatives Researcher/Strategist

London

We represent a major international Investment Bank with a pre-eminent position within the global derivatives market. On behalf of the European derivatives division we now wish to appoint a senior quantitative researcher/strategist, to work with one of the most highly respected sales and research teams in the City.

The Position:

As a key member of the global research team you will be required:

- To analyse the European fixed income markets in search of relative value trades.
- To produce weekly/monthly trade notes for the global client base.
- To present and market the global research product by liaising with clients, running seminars and working closely with the salesforce.

The Candidate:

- A high calibre science/mathematics graduate with 3-5 years experience within the fixed income markets or related field.
- Strong analytical/quantitative skills with a proven ability to create ideas and produce them in a written format.
- Strong presentational skills with a pro-active approach to client relationships.
- In-depth understanding of relative value trades and a clear understanding of the European fixed income markets.

This challenging position offers substantial career prospects within one of the leading global derivatives groups. An excellent salary and benefits package is available commensurate with experience and qualifications.

For a confidential discussion please contact Tim Sheffield on Tel: 0171-236 2400, Fax: 0171-236 0316 or apply in writing to: Sheffield-Haworth Ltd, Prince Rupert House, 64 Queen Street, London EC4R 1AD.

SHEFFIELD-HAWORTH
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We are world leaders in Business Travel with over $13 billion dollars combined systemwide revenue. Our leadership is due not least to the innovation and creativity we are renowned for in finding the right technology solutions both for our clients' and our own needs. In order to lead our network through the technological revolution of our times we are looking for a

Vice President Technology

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Based in Paris, you will be the senior executive accountable for our Information Technology and New Products Development process in Europe and Middle East Africa. Within the scope of our Global Information Technology, New Products strategy and specific long term objectives, you will maximize profitability, customer satisfaction and employee performance in the region. In this respect you will interface with key clients and vendors to resolve problems, develop new opportunities and develop relationships. You will direct country Information Technology Business Units.

Knowledge and Skills required :

- minimum of 15 years experience in leading projects at international level.
- Outstanding Management, Teamleadership and Interpersonal skills.
- Customer oriented.
- Senior technology skills with state of the art knowledge in telecommunications and network technology.
- A high level of education with a top engineering school/University.

If you feel suited to this oustanding career opportunity, please forward your application in English including a complete CV and your current level of remuneration to our recruitment consultants :
A.L CONSEIL, Reference 622/FT, 39 rue d'Amsterdam, F - 75008 PARIS.

OPQCM

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London, India, Pakistan — ***Competitive packages + bonus***

Our client, the major division of a multinational conglomerate, is a leading player in the origination and development of diesel engine based electric power production projects.

Several requirements have arisen for lead developers in several locations including London, Pakistan and India. Selected candidates will be required to manage Independent Power Production projects from inception through financing, construction and into operation. The roles involve business development; project development and finance; financial analysis and contract negotiation. Identification of key individuals within government and regulatory bodies and gaining project approval are key requirements. Projects typically range from 50MW to 150MW and above.

Ideal candidates will be experienced independent power industry project developers who will have a finance or engineering background with a proven track record in negotiating and closing international power projects.

You will have a strong academic background and preferably an MBA. Sound financial analysis; business development and management and negotiation skills are required, as is a high degree of computer literacy. Proven leadership and teamwork skills are a prerequisite. Additional language skills are highly desirable. For the roles in India and Pakistan you will need an understanding of local business practices and customs. Candidates for positions in India should be prepared to live in India. All positions require extensive foreign travel.

These are challenging international positions with a market leader and offer exciting career development prospects for highly motivated individuals who can perform to expectations and beyond.

Interested applicants please send a full résumé, stating current salary package, to Ian Dunbar, Ref: 2158/11 at Morgan & Bank PLC, Brettenham House, Lancaster Place, London WC2E 7EN. Fax no. 0171 240 1052 or if you prefer, telephone 0171 240 1040.

Morgan & Banks
INTERNATIONAL

EMERGING MARKETS SEARCH & SELECTION

Our client, the London Branch of a leading European bank with a strong presence in currency trading, seeks to recruit an experienced and highly technical

EXOTIC CURRENCY TRADER

The treasury of the London Branch is the bank's European centre for international Spot, Forward and Derivative Currency trading. The dealing room is also responsible for the trading of Emerging Market Currencies in the European time zone, covering client-based and proprietary positions.

Candidate profile:

- Ability to demonstrate a track record of at least five years trading in Forward Foreign Exchange, Currency and Interest Rate Swaps, short-dated Fixed Income instruments and Interest Rate and/or Currency Options plus experience in trading and market making in Spot Foreign Exchange.
- Involvement in the development and the marketing of esoteric products covering Eastern European, African and Middle Eastern currencies.
- Based on thorough technical knowledge of the illiquid currency markets, the individual will both take proprietary positions and cover clients' requirements, using existing products in the international and non-deliverable currency markets and derivative instruments in order to construct synthetic exposure where necessary.
- Ability to develop the exotic currency trading desk, train trading staff and educate the currency sales people both in London and in the international branch network.
- First rate (post-)academic qualifications and the flexibility to travel regularly to the region are a prerequisite.

Please send your CV in complete confidence to: Willem Dudok de Wit at Emerging Markets Search & Selection, 12 Masons Avenue, London EC2V 5BT, U.K.
Telephone: +44 171 600 4744 Fax: +44 171 600 4717 or Email-address: willem@emss.co.uk

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Do you want to join a small US securities team working within a worldwide capital markets practice and advising on a wide range of international securities offerings?

You will initially be based in London, and have the opportunity to work on international offerings for issuers, global co-ordinators and lead managers throughout Europe and Asia.

You want to be part of an exciting development at this dynamic international firm. You will find a first class client base, a stimulating and supportive environment, and energetic leadership from senior practitioners.

Can you picture yourself as one of the leading players in the global capital market in a few years time? We can help you make it a reality: few firms can.

U K SECURITIES LAWYERS

Are you a UK qualified securities lawyer with one or more years' post qualification experience who wants to join an international team in a firm which can offer excellent long term prospects?

Do you have prospectus drafting and due diligence skills, which you may have learnt in a domestic practice, but which you now want to apply in the international arena?

You will initially be based in London, and have the opportunity to work on international offerings for issuers, global co-ordinators and lead managers throughout Europe and Asia.

You want to be part of an exciting development at this dynamic international firm. You will find a first class client base, a stimulating and supportive environment, and energetic leadership from senior practitioners.

Can you picture yourself as one of the leading players in the global capital market in a few years time? We can help you make it a reality: few firms can.

To find out more, please telephone Tom Joyce or Stephen Revell at any time on 0171 832 7217 or write to them in confidence at Freshfields, 65 Fleet Street, London EC4Y 1HS. Alternatively, speak to Gareth Quarry, Adrian Fox or Alison Jacobs on 0171 405 6062 (evenings/weekends: 0171 731 5699) or write to them at Quarry Dougall Recruitment, 37-41 Bedford Row, London WC1R 4JH.

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The International Save the Children Alliance is an international non-governmental organisation comprising 24 Save the Children organisations working together around the world to defend the rights and promote the welfare of children.

EUROPEAN OFFICER

Brussels

Applications for the above post are invited from suitably qualified persons with significant experience of lobbying and advocacy work in Europe. The appointee will work closely with the newly established Europe Group of the International Save the Children Alliance members to promote the aims, interests and profile of the Alliance to a wide range of European institutions and NGO networks. The appointee will also be expected to advise the European members of the Alliance of significant trends in policy development and funding in Europe.

The appointee will:

- be committed to defending and promoting the rights, interests and views of children
- be able to work effectively within a European-wide membership organisation
- have excellent communication and presentation skills, both written and oral
- have a good understanding of the responsibilities and operations of the major European institutions and networks

Salary Scale: according to age and experience

This post is based in Brussels.

For further details and an application form, please send a postcard, quoting reference UKEP, to: Anne Marie Kissaun, Personnel Department, SCF, Mary Datchelor House, 17 Grove Lane, London SE5 8RD, England or fax 0171 716 2265.

Closing date: 26th September 1996.

SCF aims to be an equal opportunities employer.

International Save the Children Alliance

NGO in Consultative Status (Category I) with the Economic and Social Council (ECOSOC) of the United Nations

FINNTALC

Finnminerals Oy is a Finnish talc producer. Our turnover is FIM 400 million and we employ 260 people. Finntalc is used in the paper, paint, plastic and fertilizer industries and is produced in Sotkamo, Outokumpu and Kaavi in Finland as well as in the Netherlands and Sweden.
A major part of our production is exported and through our owners, WMC Ltd (Western Mining Corporation Ltd) of Australia and Plüss-Staufer AG of Switzerland, we have wide international contacts. To strengthen our organisation, we are looking for a

knowledgeable and experienced

CHIEF FINANCIAL OFFICER/CONTROLLER

You will be responsible for the entire financial administration of our company: finance, budgeting, balancing of the accounts and reporting. As a financial professional you will be an important part of the planning and administrating of our business. You will be a member of our management team and you will report to the Chief Operating Officer.

You are an independent and resultoriented team worker. You have worked for several years in a responsible position in finance, preferably in international industry. Your experience helps you understand our business. You have a university degree in business and you are fluent in English and Swedish. You will travel and use a PC in your work.

Please, send your application with appendixes to Mercuri Urval, Mannerheimintie 15 A, 00260 Helsinki. Mark your envelope "Finntalc". Further information about this challenging and interesting position is given by Mercuri Urval consultants Harri Ruoslahti, (90) 4761 7752, best Fri 6.9. between 9:00–11:00 and Jan-Ola Sunabacka, (90) 4761 700, best Thu 5.9. between 15:30–16:30.

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- Profitable and innovative.

THE POSITION
- Analyse needs and expectations in target market of large corporates. Report to Marketing Manager.
- Define new products in close co-operation with R&D and manufacturing. Lead long-term worldwide planning.
- Lead marketing initiatives during product design phase.
- Manage all marketing aspects of current product range on worldwide basis.

QUALIFICATIONS
- Age 30-35. Engineer with MBA or business qualification. 5-7 years' experience of marketing in the personal computer market or in electronics industry.
- Proven marketing experience with customers, collaborating with manufacturing and R&D.
- Ability to analyse market needs. Results oriented.
- English is the working language. French language skills a plus.

We are also looking for junior Product Managers.

Please send full cv, stating salary, ref FT60901 to NBS, 44 rue du Colisée, 75008 PARIS, FRANCE. Fax. (33.1) 42.56.90.60

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MORGAN STANLEY

Credit Risk Analysts

London **£ Excellent**

Morgan Stanley is a US Investment Bank providing a wide range of financial services to corporations, governments, financial institutions and individual investors. In 1995 it was the leading Mergers and Acquisitions advisor worldwide and the third largest global underwriter in Debt and Equity offerings. Substantial growth in Europe has given rise to a number of exciting opportunities to join the highly regarded credit risk management team specialising in the assessment of European financial institutions and corporates, which offers a dynamic and challenging environment for highly motivated analysts with an emphasis on strengths in marketing and interpersonal skills.

Senior Credit Analyst
Corporates

- Responsibility for Credit Analysis of Corporates in a variety of industries.
- Provision of capital structure and rating agency advice to Investment Banking clients.
- Debt rating analysis for Investment Banking Division.
- Marketing and Advisory presentations to Senior Managements.

Candidates must possess a formal credit analysis training from a quality banking institution or Rating Agency, with a minimum of 5-7 years experience in the corporate sector. This should be complemented by fluency in one European language, together with excellent written and verbal communications skills. Reference 308015

Credit Analysts
Financial Institutions and Corporates

- Responsibility for Credit Analysis of Financial Services institutions and Corporates.
- Participation in trade approvals covering Fixed Income, Equity and Investment Banking transactions.
- Conduct due diligence examinations for debt underwriting.
- Monitor counterparty exposure relative to limits.

Candidates must possess a formal credit analysis training from a quality banking institution or Rating Agency, with a minimum of 2 years relevant experience. This should be complemented by fluency in one European language, together with excellent written and presentation skills. Reference 305941

These are excellent opportunities for ambitious individuals to work for a market leader in the field of Investment Banking, and the attractive salary and package will reflect entirely the experience of the successful applicant. Interested candidates should contact Mark Pettman or Tim Smith, the retained consultants in London, on 0171 831 2000 or write to them enclosing a full CV at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Fax: 0171 405 9649. Please quote appropriate reference number.

MP
Michael Page City
International Recruitment Consultants
London Paris Frankfurt Hong Kong Sydney

European Equity Fund Manager

Competitive Package **City**

CIGNA International Investment Advisors, Ltd., (CIIA), is a multinational institutional fund manager with [illegible] portfolio [illegible] billion. We are seeking a senior [illegible] to join our global equity team to [illegible] responsible for the following: analysis [illegible] European stock markets and companies; security [illegible] and construction of country portfolios; execution of stock and foreign exchange transactions; [illegible] strategy development for international equity portfolios; presentations [illegible] and prospective clients.

You should have ten years' fund management experience, [illegible] years of which should be in equity; [illegible] experience of investing in Continental [illegible] able to demonstrate a strong [illegible] effectively in a team environment. In return, we offer a competitive compensation and benefits package.

To apply, please write with full [illegible] and salary details (including [illegible] Finance [illegible] A, Buckle[illegible] International [illegible] Advisors, Ltd., Park House, 16 Finsbury Circus, London EC2M 7AX.

CIGNA Investment Management International

EQUITIES SALESPERSON

LATIN AMERICA

London-based

Our client, a prestigious US Investment bank, is looking for an experienced Latin American Equities Salesperson reporting to the head of the desk.

The following attributes are essential:
- Minimum of five years' experience in a US Investment bank covering Latin America, of which at least one or two years should be in selling Latin American Equities.
- Established client base.
- Strong degree from a top University.
- Must have first hand knowledge of Latin American culture, preferably gained by extended periods of time spent there.
- Fluency in Spanish and Portuguese.
- Proven ability to develop and implement a business plan for entry into new markets.
- High level of integrity with excellent communication and leadership skills.
- Team playing skills.

To apply, please send your CV, quoting ref: 521, to: Alastair Lyon, Confidential Reply Handling Service, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

Applications will only be forwarded to this client, but please clearly indicate any organisation to whom your details should not be sent.

ASSOCIATES IN ADVERTISING

Emerging Markets Division

Local currency fixed income Front office support

Deutsche Morgan Grenfell (DMG) is the investment banking arm of Deutsche Bank, one of the world's largest AAA rated bank with assets approaching DM 650 billion. DMG has operations in 37 countries and employs around 8,000 staff. The Emerging Markets Division of DMG conducts a full range of investment banking activities in Eastern Europe and Latin America including local currency fixed income.

Developments of the local currency fixed income business necessitates the addition of a person to support the team in the front office. This is a hands on role involving a combination of financial, operational and analytical skills including: country analysis and production of trading guidelines, liaison with credit risk, operations, financial control and IT, management of custody arrangements, and supporting structuring products.

The successful candidate is likely to have a degree in economics, mathematics, engineering or similar. An accountancy qualification would be a distinct advantage, since an understanding of accounting procedures and an awareness of the mathematics and principles of trading is essential. Two or three years experience in a banking environment with knowledge of settlement processes is also important.

Initiative and a pragmatic approach to problem solving are vital qualities in this role. Strong PC skills including Macro level on Excel are expected, as is excellent communication skills and an ability to make presentations at board level.

Competitive salary with bonus and full banking benefits are available for the right person.

London September 1996

For more information contact:
James Rust on Tel: 0171 379 3333 or write to him at Robert Walters Associates, 25 Bedford Street, London WC2E 9HP, Internet: city@rwa.co.uk

Deutsche Morgan Grenfell

Senior European Credit Analysts

London **£ Attractive Package**

Our client is an internationally renowned financial services institution, with an enviable reputation for excellence. The European offices are expanding due to continued growth in demand for their services; this has created a number of outstanding opportunities for high calibre credit professionals to join both the Financial Institutions and Corporate Groups.

Key responsibilities include:
- Assuming primary responsibility for analysing and managing a portfolio. Two senior roles exist, with specific positions in both the European Financial Institutions and European Corporates Group.
- Performing and presenting in-depth financial analysis and strategic research for in-house purposes and external publication.
- Conducting meetings with clients, often at a very high level (CEO/CFO).
- Handling investors' inquiries and making investor presentations.

Applicants should be of graduate calibre with at least 6-8 years relevant experience in the analysis of European Financial Institutions or Corporates.

Due to the high profile of these roles, candidates must have excellent written and oral communication skills and the ability to represent the firm in a professional manner. Fluency in an additional European language, ideally German, Spanish or Italian, is essential. Candidates must be proactive team players with an enthusiastic and positive attitude.

In addition, there are vacancies for candidates with 2-4 years experience to work in these teams.

Successful candidates will be awarded an attractive remuneration package based on a generous salary, which will entirely reflect experience.

Interested candidates should contact Simon Lewis on 0171 269 2316 or write to him enclosing a full curriculum vitae at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH or fax 0171 405 9649.

MP
Michael Page City
International Recruitment Consultants
London Paris Frankfurt Hong Kong Sydney

4CAST

ECONOMISTS
(TRAINEE & EXPERIENCED)
FIXED INCOME STRATEGISTS

4CAST is an unique multi-media economic and market analysis service offered on subscription to financial institutions in the City and other major financial centres. Launched in 1995, the service has been so successful that we are now further developing our research team to broaden the range of markets we analyse.

Opportunities exist at several levels, and 4CAST now wishes to hear from well qualified economics graduates either seeking their first career posting in the financial markets, or with some experience of macro-economic analysis of major industrialised countries. 4CAST also seeks to recruit fixed income specialists, able to apply economic and technical analysis and market intelligence to the creation of fixed income trading strategies.

A competitive remuneration package is offered with outstanding prospects for personal and financial advancement in a new company that is rapidly establishing impressive credentials among a blue chip professional client base.

Please write, in confidence to: Personnel Dept, 4CAST Ltd, 191 Victoria St, London SW1E 5NE, citing REF FT0496.

Appointments Advertising

Every Wednesday & Thursday the Financial Times Appointments pages appear.

Wednesdays section is aimed at the Banking, Finance, IT and General Appointments markets, and Thursdays pages are for Accountancy vacancies. Both days are essential reading for any seriously career minded individuals.

For information on Appointments Advertising please contact:
Andrew Skarzynski on 0171 873 4054
Toby Finden-Crofts on 0171 873 3456
Robert Hunt on 0171 873 4095

مكبرا من الاصل

INTERNATIONAL LEASING OPPORTUNITY
REGIONAL MARKETING DIRECTOR

LONDON — SALARY EXCELLENT + BENEFITS

Our client is the subsidiary of one of America's largest financial services companies. Its Europe, Africa, and Middle East region is headquartered in London and specialises in providing bespoke equipment financing solutions for many of the world's largest corporations. In recent years it has achieved considerable success and is now looking to extend its operations into new areas.

As a result of this, a new position has been created to assume responsibility for leading the expansion of the company's existing product line. The Regional Marketing Director will be expected to draw on the current expertise of the company, as well as on the strengths of its existing customer base worldwide to drive this new venture.

Reporting to the Vice President of Leasing in the U.S., the Director will liaise with operational and marketing staff locally as well as personnel in the product line departments and technical support departments globally. He/She will be an exceptional communicator with proven marketing and technical skills, ideally with experience of equipment leasing.

The ideal candidate will be skilled in putting together complex structured leasing transactions and proficient in handling all aspects of the deal from initial customer contact through to the final signing.

It is envisaged that the successful candidate will possess a university degree and will be currently working within either a financial institution or commercial environment. Knowledge of a second European language, ideally German, Spanish or French would also be highly desirable.

For the successful candidate, an exceptional base salary together with a bonus compensation and company car is offered.

To discover more in regard to this exceptional opportunity, contact **Simon Moser or Jon Vonk at Robert Walters Associates in London on (0171) 579 3333 or send a current CV to them at 25 Bedford Street, London WC2E 9HP, Fax: (0171) 915 8714. E-mail: simon.moser@robertwalters.com.**

All applications will be treated in strictest confidence.

ROBERT WALTERS ASSOCIATES

LONDON WINDSOR NEW YORK AMSTERDAM BRUSSELS SYDNEY WELLINGTON

CELLAR - ONE SDN BHD

Cellar - One is a wholly owned subsidiary of a large public listed corporation in Malaysia whose interests include financial services, healthcare, property investment and development, engineering services and the lifestyle, leisure and entertainment business.

Cellar - One is being developed in parallel with the other various divisions of our leisure and entertainment business which would include the development of theme restaurants and wine bar concepts.

Cellar - One is rapidly becoming a major player in the wine market in Malaysia and it is our intention to expand into the rest of Asia. We already have a large collection of the major 1st, 2nd, 3rd & 4th growth French vintages and have secured agencies from some well known wineries.

We would like to invite people who have the right background and experience in the wine industry particularly those who have worked with the wine broking division of established wine merchants in the United Kingdom to come and talk to us. These appointments would be attractive to those who wish to be involved in the development of the leisure and entertainment business in Asia. The positions would initially be based in Kuala Lumpur and London.

Attractive remuneration packages will be offered to the successful candidates commensurating with qualifications and experience.

Interested candidates are invited to write in or fax in their resume stating working experience, contact telephone/fax numbers, current and expected salaries together with a NR passport sized photograph to:

The Human Resources Manager
Cellar - One Sdn Bhd
Executive Floor Level 14, Annexe Block
Shahzan Prudential Tower
30, Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

Telephone Number : 60-03-2455020
Fax Number : 60-03-2441476

Closing date : 15th September 1996

EUROPEAN MONETARY INSTITUTE

Project Manager for ECB Accounting Systems

The European Monetary Institute (EMI) was established on 1st January 1994 with its seat in Frankfurt am Main. The EMI's function is to strengthen the co-operation between its members, the central banks of the European Union, and to prepare for the establishment of a future European Central Bank (ECB). The EMI currently employs approximately 200 staff members and has its own terms and conditions of employment, including a competitive salary structure, pension plan, health insurance and relocation benefits. The position will be on a fixed-term contract basis and candidates must be a national of a Member State of the European Union.

Duties
Based in the Controlling and Organisation Section of the Administration Department, the Project Manager will be required to lead a small project team to select, set up, test and implement a central financial and management accounting system for the European Central Bank (including the consolidated accounts of the European System of Central Banks). The major tasks will be to set up a detailed project plan, to prepare the selection of hardware and software platforms, to organise and supervise the testing of the system and to prepare various project reports. Finally, the job-holder will assist with the work of the Controlling and Organisation Section as directed.

Qualifications
- University degree or comparable qualification.
- Detailed practical and theoretical knowledge and experience of the operation of automated accounting systems in a financial institution, and experience of their implementation as a user. Experience of central bank accounting functions and central bank operations is desirable.
- Training and experience in project team leadership. Experience in the use of computer-based project planning tools would be an advantage.
- Practical understanding and knowledge of financial and management accounting.
- Strong interpersonal skills, self-motivation, and the ability to work without close supervision are very important.
- Good analytical skills.
- Fluency in English and proven drafting ability in that language. Knowledge of other European Union languages is desirable.

Start
January 1997.

Applications should include a Curriculum Vitae and a recent photograph together with references confirming the required experience and skills. They should be addressed to the European Monetary Institute, Personnel and Office Services Division, Postfach 10 20 31, D-60020 Frankfurt and should reach us no later than 20th September 1996.

CHIEF FINANCIAL OFFICER

FOR A GLOBALLY OPERATING, SWISS-BASED SERVICE/RETAILING COMPANY

Our client is a dynamic, fast-growing and entrepreneurial company, which is active in the retail environment and has a turnover of more than USD 1 billion.

Due to a recent reorganisation there has occurred an opening for a Chief Financial Officer with the following main tasks:

direct the firm to profit and growth from a financial point of view

engage actively in the decision-making process in relation to financial aspects of the company such as investments, mergers and acquisitions, 'make or buy'

take a leading role in the overall management of the company as a member of the Executive Committee

We are looking for an executive (nationality open) who is between 35 and 45 years old, has an excellent education (MBA, CPA etc) and is internationally oriented.

If you have working experience as a CFO with a global corporation in the retailing or service industry and have been involved is several merger and acquisitions projects, please apply to the following address in Switzerland:

Dr Markus Dörig
Lawyer
Umbricht & Badertscher
Bahnhofstrasse 22
CH-8022 Zurich

CJA RECRUITMENT CONSULTANTS GROUP
2 London Wall Buildings, London Wall, London EC2M 5PP
Tel: 0171-588 3588 or 0171-588 3576
Fax No. 0171-256 8501

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EUROPEAN EQUITIES ANALYST

CITY — **£25,000 - £30,000 + BONUS**

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Our client is a leading name with a strong top down strategic approach to investment and consistent top quartile ranking. The European Director heads a small team managing a range of regional and country specific funds. For this new position we invite applications from numerate candidates with a good degree from a leading university and 12-18 months' investment or research training with a leading institution. IIMR qualified or steps towards it are expected. A second European language, and computer literacy are essential. This is an exceptional opportunity to work alongside a leading name in European fund management, in an expanding organisation which can offer excellent career prospects. Initial remuneration is negotiable £25,000-£30,000 + generous bonus and good company benefits.
Applications in strict confidence quoting reference EEA5714/FT to the Managing Director, CJA.

THE BANK OF NEW YORK

Currency Options Sales Professionals - Foreign Exchange

The Bank of New York has the following excellent opportunities for experienced currency options sales professionals in London and Tokyo to complement their existing sales teams:

Sr. Currency Options Sales Officers with extensive management experience and a demonstrated track record of marketing FX options based products (including the latest exotic structures) to a European and/or Asian client base.

Currency Options Sales Officers with a minimum of three years successful sales experience with all types of currency options products.

Candidates must be educated to degree level and possess strong technical knowledge. Good communications skills and fluency in European or Asian languages are required.

Written applications only please including full curriculum vitae to:

Andrea Williams, Vice President
The Bank of New York
46 Berkeley Street, London WIX 6AA

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Local requires trainee
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with good 'A' level Maths.
Please write to:
Box A5880, Financial Times,
One Southwark Bridge, London SE1 9HL.

Financial Institution Regulation
International

Barents Group, LLC, a wholly owned subsidiary of KPMG Peat Marwick, has excellent opportunities available for professionals with a regulatory background in banking, insurance, and capital markets to act as Consultants to governments in Central and Eastern Europe, Asia and Latin America.

These challenging positions will be responsible for establishing regulatory framework which encourages privatization and financial market stability. Candidates must have a minimum of 5 years experience in financial institution regulation, as well as excellent communication and analytical skills.

Barents Group, LLC is a leading international management consulting firm specializing in implementing and managing change in highly variable environments.

Barents Group, LLC offers exciting opportunities in the international marketplace and provides attractive compensation packages commensurate with experience and skills.

Barents Group, LLC is accepting resumes which will be held on a confidential basis. Please send cover letter and resume to: Barents Group, LLC, Human Resources, Dept. FIR, 2001 M Street NW, Washington, DC 20036 or fax to: (202) 296-0239.

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The Company
ABN AMRO Hoare Govett is a leading London-based stockbroking firm which is part of a major international bank and broking network. The Company has an excellent reputation for Investment Research and has a high profile within the UK Equity Market. In addition, ABN AMRO is one of the top three European banks lending to the energy industry.

The Position
Specialist equity sales for the Oil and Gas sectors joining an experienced analytical team with an established presence in these sectors. Responsibilities include day-to-day marketing to institutional clients, extending the distribution network for the research products and co-ordinating the total marketing effort, together with full involvement with the analytical process.

The Candidate
The ideal candidate will have experience in the oil and gas industry, a proven ability to sell accompanied by strong numerate and presentational skills. Self-motivation and a desire to succeed is required in this highly competitive industry. He/she will be innovative, enthusiastic, determined and a good communicator.

Please write enclosing a full CV (stating current salary) to:

Box A5674, Financial Times,
One Southwark Bridge, London SE1 9HL

QUANTITATIVE ANALYST - DERIVATIVES, LONDON £50K PA

Our client requires a Quantitative Analyst with at least 2 years experience of interest rate products. PhD Maths is desirable.

Please write to:
FUTURUS,
1 Leicester Place, London
WC2H 7BP

COMPLIANCE OFFICER

International market making firm is seeking a Compliance Officer to manage its worldwide regulatory affairs. The successful candidate will possess 3-5 years international commodities and securities industry experience with a law firm or trading firm and an appropriate degree.
The position will be responsible for global exchange and regulatory compliance, contract review, and legal document preparation. Computer literacy and the ability to travel are required.

Please send C.V. with salary history to Box A[illegible], Financial Times, One Southwark Bridge, London SE1 9HL.

OPPORTUNITIES IN INVESTMENT BANKING AND CAPITAL MARKETS

Our knowledge of the City is second to none. Our principal areas of specialisation are: Corporate Finance/M&A, Project/Structured Finance, Credit/Corporate Banking, Capital Markets and Mid-Office Product Control. A selection of current opportunities include:

Corporate Finance/M&A Sector & Country Teams — to £65,000 + bonus

We are currently handling a number of specific opportunities within country or sector specialist teams. Vacancies range from entry level for ACAs and Management Consultants, to Associate Director level for transactors with 4 or more years experience.

Opportunities exist within the following teams:

- Financial Institutions.
- Telecoms/Media.
- Pharmaceuticals/Chemicals.
- Utilities.
- Germany, Spain, France, Scandinavia.
- Emerging Markets.

Our clients range from global banks to niche boutiques covering a whole spectrum of operating styles and markets. Although not a must, relevant sector experience and a second European language would be an advantage.

Please contact Jeremy Cooper.

Closer to the Business Credit and Quantitative Analysis — to £50,000

Are you an excellent Credit or Quantitative Analyst who has always wanted to work with complex derivative products or in a deal driven environment closer to the action?

We are currently handling specific assignments within American, European and UK banking organisations for high flyers with 1-2 years front line banking or investment experience who are keen to stretch themselves in the capital markets or in an advisory environment.

Excellent academics are required as is a resilient and well balanced personality. Rewards are superb and opportunities currently exist within Equity Derivative Research groups, Structured/Project Finance teams and Trading Risk Credit groups. Many clients are willing to cross train in these competitive markets.

Please contact Zoë Ide.

Derivatives/Equities Newly Qualified Accountants — c£38,000

Any ambitious Newly Qualified Accountant seeking that first step into Banking should contact us immediately to discuss some competitive Middle Office opportunities.

Offering unrivalled career prospects and early responsibility, these challenging roles, with progressive investment banks, will provide excellent experience at the leading edge of trading activity. Liaising closely with the Front Office, you will be responsible for intelligently reviewing trades and performing in-depth risk analysis.

To succeed you should possess:

- An ACA qualification from a leading practice.
- A numerically biased degree from a top University.
- Ambition, drive, determination and confidence.

For high flyers, rapid promotion is assured.

Please contact Caroline Foley-Comer or Penny Atkinson.

Please telephone the relevant consultant on 0171-583 0073 or send your curriculum vitae to 16-18 New Bridge Street, London EC4V 6AU or fax 0171-353 3908.

BADENOCH & CLARK
recruitment specialists

If you would like further information on these types of opportunities or general career advice in these areas please do not hesitate to call us. Discretion assured.

Investor Relations Manager

Technimetrics, Inc. is a world-leader in the field of investor relations consultancy services and financial database management. We have offices in London, Amsterdam, New York, Tokyo and Sydney. Our corporate clients, based in North America, Europe, Japan and Africa range from large multi-nationals to newly floated high-tech companies. Technimetrics, Inc. is expanding its investor relations department and is looking for account executives to join our international team of consultants in the UK.

We are seeking individuals with a background in investor relations, public relations, financial services, equity analysis or related fields. A working knowledge of either French or German is a distinct advantage.

The capacity to communicate effectively at the highest-levels, both to corporate clients and to the fund management community is important. Strong written and oral presentation skills will be needed. The ideal candidates will be computer literate and able to work under pressure. Technimetrics, Inc. is an expanding company and offers global career opportunities.

Salary will be commensurate with experience.

Applications should be addressed to:

The Personnel Manager, Technimetrics, Inc., 84 Newman Street, London W1P 3LD.

We are currently working on behalf of several prestigious global banks, based in London, New York and Asia, whose clients face an ever increasing need to lower the cost of raising capital, manage risk and enhance asset returns. In response to these requirements, we now have key roles in Trading & Research for Derivatives specialists, in particular.

- Structured Products (both Fixed Income & Equity)
- Country Funds Trader
- Quants Research - (must have minimum 1 year experience)

Please contact Paul Sugarman or Ann Williams (in the strictest confidence) for further information

PROPRIETARY TRADER for HEDGE FUND

A leading London based Hedge Fund is searching for two traders in Foreign Exchange and Fixed Income, preferably with experience of emerging markets.

The successful candidates will work in a small select team and will be making their own investment decisions.

The remuneration package will be largely performance related.

The successful candidate must have:

- At least 5 years trading experience
- Comprehensive knowledge of derivative products
- Extremely strong analytical skills

Interest candidates should send their curriculum vitae and a comprehensive history of past trading experience to:

**Box A5671
One Southwark Bridge
London
SE1 9HL**

A leading UK stockbroking organisation, about to enter a phase of significant business expansion, requires the following senior personnel:

DIRECTOR OF SETTLEMENT

This is a new position which will become responsible for all aspects of settlement operations. Applicants must be fully experienced in UK settlement procedures and the management or supervision of stockbroking settlement personnel.

Salary range circa £60,000

MANAGER – PERSONAL EQUITY PLANS

The growth in the level of PEP business has created a need for an experienced PEP administration manager. The successful applicant will be conversant with current regulatory requirements and have gained management or supervisory experience in this area within a stockbroking company. *Salary range £25,000 – £35,000*

TRAINING OFFICER

Applicants should be familiar with the development needs of a UK based stockbroking company. This position will involve establishing formal induction and training schedules for all personnel, development of internal courses and the identification of appropriate external facilities. Salary will be commensurate with experience.

ALL POSITIONS ARE BASED IN THE SOUTH EAST AREA OF THE UK.

Applications, which must include a detailed CV and will be treated in the strictest confidence, should be sent to Financial Times, Box No A5678, 1 Southwark Bridge, London SE1 9HL, or by fax to 0181 524 0005.

Moody's Investors Service

SR. ANALYST, SOVEREIGN RISK

Moody's Investors Service is a highly sophisticated financial services firm. Recognized for our commitment to integrity, reliability and responsiveness, we invite qualified professionals who share these qualities to investigate this opportunity in our Banking and Sovereign Group.

In this high profile, New York-based position, you will follow a diversified portfolio of countries, monitor country conditions and make recommendations on sovereign ratings. Qualifications include 10 Years' experience in country risk and advanced degree in economics. The preferred candidate will also have foreign language skills.

Moody's offers an excellent compensation package commensurate with qualifications, including comprehensive benefits. Qualified candidates are invited to send confidential resume, with salary history, to: **Human Resources-SOV, Moody's Investors Services, 99 Church Street, NY, NY 10007 or FAX: 212-553-4063.** *An equal opportunity employer M/F/D/V.*

Moody's Investors Service
a company of The Dun & Bradstreet Corporation

One of the leading banking firms in Bahrain with diversified banking activities is seeking to recruit an innovative

PROCESS RE-ENGINEERING AND QUALITY IMPROVEMENT SPECIALIST

to contribute to further development of the Bank. This post is very high in the organisation's hierarchy and reports directly to the Chief Executive Officer. The objectives of the position are continuous customer service improvement and cost reduction through workflow and process re-engineering, productivity improvement through optimum utilization of the bank's human and technological resources and introduction of TQM.

Principal Responsibilities:

- Build awareness of the need and opportunity for improvement.
- Set goals for improvement.
- Organize to reach the goals (establish a quality council, identif problems, select projects, appoint teams, designate facilitators).
- Provide training.
- Carry out projects to solve problems.
- Report progress and recommend recognition.
- Communicate results.
- Maintain momentum by making annual improvement part of the regular systems and processes of the bank.

Candidate should be 35-45 years old, holding BA/MBA with at least 5 years experience in this field, preferably with a major bank.

The bank offers an excellent tax free compensation package with the usual expatriate benefits.

Please forward your application to:

**The Chief Executive Officer
Po Box 13416
Bahrain.**

Happy Mondays!

The Financial Times is launching a new, weekly Accountancy Appointments section on Monday 2nd September 1996. It will contain jobs with salaries under £34,000 p.a., and will therefore be distinct from our market-leading Thursday Accountancy Appointments pages.

For more details please contact Robert Hunt:

Tel - 0171 873 4095 Fax - 0171 873 4331 E-mail - robert.hunt@ft.com

ACCOUNTANCY APPOINTMENTS

East Anglian Careers Forum

Opportunities for qualified Accountants

Venue: Lucy Cavendish College – Cambridge

Date: Thursday 12th September 1996

Time: 6.00pm

Presentations by:

EASTERN — ROBSON RHODES — RSM — NORWICH UNION

Your opportunity to meet senior managers from major companies in the region. Hear about their future growth plans, the careers they can offer accountants and gain access to the widest selection of career options in East Anglia.

In addition to the presentations, Hays Accountancy Personnel's senior consultants will be available to discuss your career aspirations and provide information on specific vacancies with other leading organisations.

MSG — BOCH PAULS — DFDS TRANSPORT — ANDERSEN CONSULTING — PHILIPS — Info'Products

As spaces are limited, admittance will be by invitation only. Please contact Claire Whipps on 01206 766621 to reserve your space.

If you are unable to attend the Careers Forum, please contact your local office to arrange an appointment for personal career advice.

CAMBRIDGE	CHELMSFORD	COLCHESTER	IPSWICH	NORWICH	PETERBOROUGH
01223 461369	01245 262610	01206 766621	01473 215088	01603 760141	01733 558517

Hays Accountancy Personnel

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- Following internal promotion, the group needs a technically strong Group Treasurer to manage and develop the function and thereby assist in achieving its strategic goals.
- He/she will be responsible for an Assistant Treasurer, Chief Cashier and Payroll Controller, along with their teams, and will be the main point of contact for the Group's relationships with lenders and other financial services providers.
- Probably aged mid-30's, graduate, and preferably MCT/Chartered Accountant who has had at least five years treasury experience within a large multi-national or a bank.
- Particular areas of technical strength will be foreign currency and risk management.
- Management of the department calls for cultural sensitivity and team-orientated leadership abilities. Excellent communication skills, flexibility of approach and the ability to achieve rapid credibility are essential. Prospects for career progression are excellent.

Please apply in writing quoting reference 1218 with full career and salary details to:
Nigel Bates
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
http://www.gbnet.co.uk/whitehead

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Manager - Corporate Finance

Young... Dynamic... Ambitious... we are - are you?

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This challenge...

...will come as a refreshing change to the more courageous and ambitious amongst you. What would you say to the prospect of being at the heart of a young and thriving FTSE 100 company where you would take on an extremely diverse role driving all the company's corporate transactions? Such a proposition is rare indeed.

We need...

...someone who can handle a remit that spans the gamut of corporate finance work; from evaluating all major investment proposals to assessing our existing business portfolio and even tackling regulatory issues. You will be the focus of our relationship with merchant banks, particularly as you will be in the driving seat when it comes to acquisition strategy; and you will possess the authority and nous necessary to provide credible analytical support to senior management.

Routine it won't be

The one predictable aspect of this challenge is the steep learning curve you will encounter at an early stage - together with regular Board-level exposure.

You are likely...

...to have a 'Big 6' background with wide-ranging corporate finance experience and significant exposure to merchant banks. You will be a Chartered Accountant or perhaps a finance MBA whose experience of working with or within large organisations would be particularly welcome.

As you would expect...

...we would offer such a key player a significant performance bonus and comprehensive benefits package - but not for a one dimensional technocrat. To succeed you must be a team player as well as a team leader: there is no room for a "prima donna" who cannot stand up to some very strong personalities.

If you are...

...casting around for the chance for your career to really take off; convinced that you would thrive as a key player in a multi-skilled environment; ready to bring new ideas and impetus to an already successful and innovative £100 million organisation; looking for a high profile role that actually makes a difference, then...

The next step...

...is to write to our advising consultants, David Hunter and Hamish Davidson, quoting reference L/1681 at the address below. Alternatively, call David on 0171 939 3661 or Hamish on 0171 939 3115 for a discreet conversation about the role.

Executive Search & Selection
Price Waterhouse Management Consultants Ltd
Southwark Towers
32 London Bridge Street
London SE1 9SY
Fax: 0171 403 5265
E-mail: David Hunter@Europe.notes.pw.com

Price Waterhouse
EXECUTIVE SEARCH & SELECTION

Run an oil & gas exploration business out of a suitcase

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London, Rome, Oman, Greece, Algeria...

An oil company's oil company

Our history as a successful finder of oil and gas reserves stretches back more than 30 years. We combine cutting edge technology and hard won exploration prowess to establish footholds of exploration in partnership with host countries: since 1970, the company has participated in eight major international discoveries with reserves of over 2.5 billion barrels of oil and more than 10 trillion cubic feet of gas.

Big numbers – we need someone who can deal with them

A high-powered Financial Manager who has what it takes to support and shape a significant oil and gas exploration business as we create new ventures and operations throughout Europe and North Africa: an accomplished professional equal to the daunting task of developing and directing the financial infrastructure required to manage our rapidly growing regional enterprise.

A roving (or should we say globetrotting?) brief

Your immediate and urgent priority will be to remove the financial management burden from hard pressed operations and exploration managers – establishing your role as adviser and service provider and taking your place in running the business. This will involve a great deal of travel from office to office – dealing with everyone from local accounting and technical managers to company executives.

But that's just the tip of the iceberg

We want someone who will provide a clear lead in the financial 'engine room' of the regional business: areas such as management accounting and reporting tax, treasury and audit. Not glamorous, but vital if the exploration teams are to be freed to succeed where major finds are yet to be made.

At the same time ...

... there will also be the need to support the sales process – including contract preparation and negotiation – and the responsibility for driving the implementation of new MIS Europe-wide.

To take this on...

...you will already have at least five years experience of international oil and gas accounting finance under your belt. A qualified accountant, operating within an international, multi-site environment will be second nature: you will be more than capable of establishing your presence right across the business. If you have language skills, particularly French and Italian, so much the better – so it should go without saying that we don't mind which side of The Channel you hail from.

To succeed, you must speak our language

We operate with a lean, experienced, US based staff that support our activities worldwide and doesn't want to hear the same stale and cliched solutions to problems that crop up eight or nine time zones distant – you will sort them out in a fashion that inspires confidence and respect. You will be trusted with more than enough rope to get on and do the job – if that rope is already starting to look like a noose, it will not be a happy relationship.

Achieving results ...

...will, of course, be everything, so confidence, self-motivation, credibility and supreme leadership skills are essential. If these are the kind of qualities you have to offer, we will offer a remuneration package in keeping with your expectations, so write to our advising consultants, David Hunter and Hamish Davidson, quoting reference L/1682 at the address below. Alternatively, to see if we are talking the same language, call David on 0171 939 3661.

Executive Search & Selection,
Price Waterhouse Management Consulting Ltd.,
Southwark Towers,
32 London Bridge Street,
London SE1 9SY.
Fax: 0171 939 3454
Internet: David_Hunter@Europe.notes.pw.com

BT

Project Finance Managers

London ***to £45,000 +car +benefits***

BT, with a turnover of £14.4 billion and a gross profit of £3 billion, is one of the world's leading providers of telecommunications services. Our vision is to become the most successful global operator, delivering innovative products quickly, and serving our customers more effectively. To achieve this we are exploring new markets and developing and applying innovative technologies.

Within the Global Communications Division, the Business Development Finance team is responsible for evaluation of commercial opportunities overseas. Working in a small, highly visible team and liaising at the highest level, you will undertake detailed investigations of potential acquisitions and joint-ventures. Your remit will include the initial financial evaluation of business cases through to the ultimate integration of these ventures into the BT Group. You will liaise extensively with internal and external advisers.

To succeed in this role you will fulfil the following criteria:

- Commercially minded Accountant or MBA with a strong academic background.
- Excellent financial modelling skills and the capacity to translate complex data into meaningful analysis.
- Understanding of acquisitions ideally gained from a major international organisation.
- Highly influential with outstanding interpersonal skills and the natural ability to work with non-finance professionals.
- Relishing the prospect of a high profile role, with extensive travel and critical involvement in the international growth strategy.

This represents an exceptional opportunity to impact positively on the success of this pioneering multi-national group. Energy, creativity and flexibility are all qualities which will enable the right individuals to capitalise on superb international career opportunities. *BT is an equal opportunities employer.*

Interested applicants should write to our advising consultants, **Robert Macmillan or Andrew Livesey**, stating current remuneration and quoting reference number UKR0092 at: Nicholson International (Search and Selection Consultants), Bracton House, 34-36 High Holborn, London, WC1V 6AS. Alternatively fax your details on **0171 404 8128** or e-mail: ni@nicholsonintl.com.

NICHOLSON INTERNATIONAL UK

Chief Financial Officer

Paris **800 000 FF+**

Our client is a major international media group with activities covering North America, Europe and Asia and impressive plans for future expansion. They now seek to recruit a Chief Financial Officer who will be reporting to the Chairman. Your main responsibilities will be:

- Review and analyse the financial performance of operating companies and the Head Office.
- Designing and implementing policies and procedures in order to optimise and realise long-term strategical and operational planning by operating companies.
- Innovating and upgrading management information systems.
- Assisting in acquisitions.

Probably in your mid-40s, you will have a strong academic background (MBA, CA) and a proven track record in managing financial staff in an international environment of listed companies.

You should be a native English speaker, fluent in French and a third European language would be desirable.

Excellent communication skills, international experience and strong mobility are essential to succeed in this exciting and expanding group.

Interested applicants should write, quoting reference ADB13876, enclosing a comprehensive curriculum vitae, salary details, photograph and telephone number to Alexis de Bretteville at Michael Page International, 3 boulevard Bineau, 92300 Levallois Perret, France or fax on +33 1 4757 3918.

MP
Michael Page International
International Recruitment Consultants
London Paris Amsterdam Dusseldorf Frankfurt Hong Kong Sydney

METRON TECHNOLOGY

Price Waterhouse
EXECUTIVE SEARCH & SELECTION

International Corporate Treasurer

High profile role in $multimillion global group

c. $130,000 package Amsterdam

With sales this year of $233 million (up from $135 million last year), we are probably the world's leading global distributor of semiconductor equipment and materials. Privately held but looking at the prospect of a public offering after a recent strategic merger, we can boast of being the first global technology support company for the semiconductor and microelectronics industries.

We now need a high calibre professional to establish, manage and actively develop the group's treasury function. Reporting to the Chief Financial Officer in California, you will provide advice, guidance and leadership to finance and operations managers around the word in order to minimise risk and optimise the organisation's capital and cash flow positions.

You will need a professional Treasury, Accountancy or similar qualification and a strong international treasury management background in order to match our exacting requirements. This experience should encompass currency and interest rate hedging and dealing; the management and insurance of general asset and liability risks; and the development and/or implementation of treasury systems and controls.

The role will require you to forge effective working relationships at the highest level throughout the international organisation, as well as with the banking community and other financial providers. In order to succeed you must possess the confidence and credibility to influence business thinking at the highest level.

The package will comprise a base salary and bonus plus stock options. If you feel that you can meet such a challenge, write to our advising consultant David Hunter, quoting reference L/1683 at the address below

Executive Search & Selection,
Price Waterhouse Management Consulting Ltd.,
32 London Bridge Street,
London SE1 9SY.
Fax: 44 (171) 939 3454.
Internet: David_Hunter@Europe.notes.pw.com

Finance Manager

Consumer Products

c.£40,000 + Bonus & Benefits **North West**

Dynamic, ambitious, commercial accountant required by UK plc to make major contribution to strategic business decisions.

THE COMPANY

- Profitable £40m turnover. Household name supplying major UK retailers and export markets.
- Committed to growth, organically and by acquisition.
- Committed to change and market refocus.

THE POSITION

- Reporting to Finance Director. Evaluate, challenge and provide input to product mix/pricing proposals and value chain analysis.
- Strong commercial remit. Support and improve business process and enhance MIS. Manage the budgeting and forecasting processes.
- Build and develop multifunctional relationships. Responsible for small finance team.

QUALIFICATIONS

- Graduate, qualified accountant. FMCG, manufacturing experience preferred. Demonstrative experience of change management. IT literate.
- Instinctively commercial with sound analytical capabilities and strong system implementation skills.
- Robust, flexible and diplomatic with ability to make things happen. A positive attitude, able to motivate and influence management across the business.
- Ambition and potential to take advantage of promotion opportunities.

Please send full cv, stating salary, ref MN60902, to NBS, Courthill House, Water Lane, Wilmslow, Cheshire SK9 5AP

N B SELECTION LTD
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NBS

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VIACOM

UNRIVALLED OPPORTUNITIES FOR FINANCE PROFESSIONALS

Viacom Inc. is one of the world's largest entertainment and publishing companies and a leading force in nearly every segment of the international media market place. The rapid growth in the group's activities outside of the USA has resulted in Viacom establishing a number of corporate offices around the world to oversee the financial *performance and strategic direction of their various operating units.*

The London office focuses on providing finance, tax and legal advisory services to operating companies primarily in Europe and Asia which include Paramount, Blockbuster Video, MTV Networks, Simon & Schuster and Virgin Interactive. In an effort to further strengthen the London corporate office, Viacom is now seeking to attract dynamic and entrepreneurial finance professionals for the following positions:

Director of Audit

c.£80,000 + bonus + benefits Ref: 90098/C

The Position

- Play a pivotal role in the development and implementation of an international audit strategy.
- Develop strong and lasting working relationships with senior local business unit managers to establish audit as a 'value added' service.
- Plan, co-ordinate and supervise multiple audit assignments of a financial and operational nature.
- Assist in broader synergy issues between autonomous operating groups.

The Requirements

- Graduate ACA, with a minimum of 6 years' post-qualified progressive audit experience gained within a premier accounting firm or dynamic multinational corporation.
- Ability to develop a function from new, in an environment of limited and shared resources.
- Highly motivated, entrepreneurial and hands-on individual, with first-class presentation skills.
- International in orientation and highly mobile.

Audit Managers (x2)

c.£50,000 + bonus + benefits Ref: 90098/B

The Positions

- Work closely with the Director of Audit and take a lead role in the planning and execution of audit field work.
- Develop audit programs, draft audit reports and present findings to senior management across the group, with minimal supervision.
- Provide strategic input into a variety of ad hoc projects.
- Assist the Director in the development of this new 'value added' function.

The Requirements

- Graduate ACAs with a minimum of 3 years' post qualified experience gained within a blue-chip environment.
- Commercially astute with strong analytical and administrative skills, harnessed to sound practical judgement.
- Persuasive and perceptive with inherent ability to act as a 'business consultant'.
- Exceptional communication skills with proven leadership qualities.

Group Accountant

c.£40,000 + benefits Ref: 90098/D

The Position

- Reports to the Director of Finance (UK), tasked with providing accounting guidance and assistance to UK operating groups.
- Responsible for financial reporting and accounting for UK holding companies, group consolidations and statutory reporting.
- Develop and operate UK cash pooling/cash forecasting systems.
- Provide input into group restructurings, joint venture arrangements and acquisition programs.

The Requirements

- Graduate, Big 6 trained ACA, with approximately 1-2 years' post-qualified experience.
- Self-motivated, results-orientated individual willing to take the initiative.
- Demonstrate maturity and intellectual capability.
- First-class presentation skills capable of being a service provider to the various operating divisions.

For all the above positions, knowledge of a second European language would be a distinct advantage. To be successful in all these roles, you will need to be energetic, flexible and keen to contribute to this challenging new venture. In return, Viacom can offer unrivalled career prospects and will actively seek to deploy corporate staff in line management roles within the operating businesses in the medium term.

Please send your CV with current salary details to: David Burton, K/F Selection, 252 Regent Street, London W1R 6HL, quoting the appropriate reference.

Alternatively send by fax on 0171-312 0020 or e-mail to cv@kfselection.com Internet Home Page: http://www.kfselection.com

BLOCKBUSTER VIDEO

SIMON & SCHUSTER

K/F SELECTION

A DIVISION OF KORN/FERRY INTERNATIONAL

Our client is a US fast growing hi-tech company. With operations in more than 50 countries, the company generates a turnover of approx $1.4 billion and employs more than 8,000 people worldwide. Due to strong and constant expansion over the last few years, they are now strengthening their European headquarters in France by recruiting key financial managers

Financial Planning and Analysis Manager

Paris

- Responsibility for analysis, interpretation of financial results.
- To co-ordinate overall business forecasts and financial reporting to US headquarters.
- To manage a team of 4 Senior Financial Analysts.
- Assisting the Vice President and Controller Europe in integrating new acquisitions.

Candidates must possess strong financial analysis skills with a minimum of 10 years experience. In addition, you should have business understanding, organisational ability and relationship management skills. Ref AD14573.

Tax and Treasury Manager Specialist

Paris

- Responsibility for co-ordination of policy implementation with US tax and treasury operations, and for cash management and bank relations in Europe.
- To implement foreign exchange exposure monitoring and hedging policies.
- Providing support and recommendations for Mergers and Acquisitions.

To meet these challenges, candidates will have 3-5 years treasury management experience in a multi-national environment. A sound working knowledge of international cash management techniques is sought, together with experience in the analysis and control of currency and interest risks. Preference will be given to candidates with tax advisory experience. Ref AD14575.

Credit and Commissionnaire Manager

Paris

- To manage a network of approximately 12 country controllers across Europe in decentralised commissionaire organisation.
- To establish base cost analysis and financial support to Euro Distribution Centre logistics and customer service.
- Initiating and conducting credit and collections all over Europe.

Candidates must have related work experience (10 years) and will have an open and flexible approach with the ability to produce high quality work under tight time pressure. Ref AD14577.

An attractive remuneration package is offered for these key appointments and will include the opportunity to earn performance related bonuses. Opportunities for further career development within the group are excellent. Interested applicants should write, quoting the relevant reference, enclosing a comprehensive curriculum vitae, salary details, photograph and telephone number to Amaury Destailleur at Michael Page International, 3 boulevard Bineau, 92300 Levallois Perret, France or fax on +33 1 4757 3918.

MP

Michael Page International

International Recruitment Consultants

London Paris Amsterdam Dusseldorf Frankfurt Hong Kong Sydney

DIRECTOR INTERNAL AUDIT

LONDON BASE

(World Wide Brief)

c. £50,000 Package + Attractive Benefits

SOTHEBY'S

Formed over 250 years ago, Sotheby's is today one of the world's largest and most respected firms of fine art auctioneers. Sotheby's operates from 100 offices in 45 countries which in 1995 generated sales in excess of $1.6 billion. Recent high profile auctions included the largest house sale in history at Baden-Baden, and the record breaking sale of the Kennedy collection in the USA. The Sotheby's name indicates quality and tradition yet a planned programme of investment in technology and operational procedures has positioned the group favourably to capitalise on, and grow, in this competitive arena.

An integral feature of Sotheby's management structure has been the impact and influence that the Internal Audit function has with particular reference to strategy and long term planning within the group. With this in mind, the group is keen to identify an exceptional individual who will take full responsibility for assessing the risk of Sotheby's global business and provide an independent evaluation of the effectiveness of financial and operational controls.

Reporting to senior management based in the United States, you will develop and implement various long range plans that will contain appropriate vision and constructive suggestions designed to enhance operating efficiencies across the group. Daily contact will involve many disciplines including Business Managers, IT and the Legal function.

As a senior management role, the position requires the intellectual and perceptive attributes of a highly motivated graduate Chartered Accountant with audit managerial experience gained both from within the big four and a progressive industrial group. International and US GAAP exposure is also required.

Interested candidates should write to Mark Rowley at Herst Austin Rowley, 30 St. George Street, London W1R 9FA, enclosing a full Curriculum Vitae and quoting reference HAR826. Fax: 0171 409 7872. E-mail: har@globalnet.co.uk

HERST AUSTIN ROWLEY

BOLOGNA • COLOGNE • LISBON • LONDON MADRID • PARIS • PHILADELPHIA • WARSAW

Part of the Harrison Willis Group

DIVISIONAL FINANCE MANAGER

Rapid Growth Environment

Operating within dynamic markets which are experiencing rapid growth, this high profile market leader is well-positioned to exploit fully the opportunities available and has ambitious but achievable plans to grow at 50% plus per annum. *The division, with a current turnover of £30m,* is part of a major and expanding UK Group in the FMCG sector. Future career opportunities are excellent.

Kent

Reporting to the Divisional General Manager you will be responsible for all financial issues at 3 locations including:

- Summary information to Group and management information to Divisional Executive team
- Ensuring financial controls are in place and IT systems (SAP) are fully utilised
- Supporting the General Manager in developing and implementing longer-term strategy
- Commercial evaluation of business activities and related profitability, recommending improvements as appropriate

To £45,000, bonus, car

This broad and challenging role will require a technically strong Qualified Accountant who more importantly has developed and utilised his/her skills in a demanding commercial role. Additionally you will have an analytical approach and be personally credible to peer group and senior management. Your influencing skills will have played a key part in your contribution to a developing or growing business. You must also evidence a proactive and practical approach with a good sense of humour.

Interested candidates should write with full CV, quoting current rewards package to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY, Tel: 0171 430 9000, Fax: 0171 405 5995 quoting ref: HKW/5579/FT.

INVESTOR IN PEOPLE

Hoggett Bowers

EXECUTIVE SEARCH & SELECTION

THE PSD GROUP

Schlumberger

Analyst
Pension & Profit Sharing funds

within the Treasury department which has responsibility for overseeing the investment of worldwide pension and profit sharing plans for Schlumberger employees.

A master degree in finance, economics, mathematics or accounting is prefered with a minimum of 3-5 years experience in finance in the investment arena with European funds.

Candidates must have an excellent understanding of budgeting and general financial statement preparation and presentation.

This position will allow you the opportunity to participate in establishing investment policy and strategy, managing the external firms investing the plans' assets, employee communications and department administration.

This position will initially be based in Manhattan, New York, with potential relocation back to Europe within several years.

Schlumberger employs 51 000 people of 95 nationalities in 90 countries within 2 business sectors : Oilfield services and Measurement & Systems.

If you enjoy working in a team, have excellent written and oral skills, and would *enjoy a mobile career.*

please send your application with a C.V. and photograph to

Schlumberger Limited
42, rue Saint-Dominique
75007 Paris - France

International Federation of Red Cross & Red Crescent Societies

Seeks to fill the following position

INTERNAL AUDITOR

This key position ensures the effectiveness of internal control systems relating to funds that are *destined specifically for the* protection and dignity of human life throughout the world.

Duties will include conducting audits within the Secretariat departments in Geneva and throughout the Field to assess the integrity of financial information, evaluate the adequacy of administrative and accounting controls that are in place, verify the effective an economic use of resources and ensure that assets are safeguarded. In addition, you will be required to provide continual follow-up and assistance to Secretariat departments and National Societies to develop and improve their systems of internal controls.

Qualifications include a university degree, with preference for an MBA, and/or a professional accounting accreditation (i.e. C.A.) together with at least 3 to 5 years experience in public accounting or auditing. Excellent negotiation and communication skills in English are required as is the ability to work effectively under pressure. Competence in one of the other official languages of the Federation (French, Spanish or Arabic) is also required.

This position is based in Geneva and travel will be required.

Applications must be received by 25th September, 1996 indicating competition number: 96-088 and addressed to the following:

Director, Human Resources
International Federation of Red Cross & Red Crescent Societies
P.O. Box 372CH-1211 Geneva 19
Fax: 41.22.733.1727

VICE PRESIDENT, GLOBAL INVESTOR RELATIONS

Substantial executive package GERMANY

adidas

adidas is the world's third largest sports manufacturer and one of the most famous names in the business. With a presence in over 160 countries and an annual turnover in excess of $2 billion, they are well on the way towards achieving their mission of becoming the world's best sports brand. Following their successful flotation on the Frankfurt and Paris stock exchanges, they need an experienced business professional to promote the benefits of a long-term investment in adidas.

The Position

- Reporting to the Executive Board, take responsibility for the development and running of a world-class IR function.
- Shape and implement a variety of programmes to serve both individual and institutional investors.
- Effectively represent the Company to the investment community as well as potential investors.
- Lead the production and presentation of annual and quarterly shareholder reports.

The Requirements

- Degree educated, preferably with a further business or accounting qualification as well as exceptional analytical ability.
- In-depth knowledge and experience of best practice in complex Investor Relations, as well as US or UK accounting and investment practices.
- A skilled relationship builder with the highest level of oral and written communication skills, ideally fluent in German and English.
- The ability to work in an autonomous, hands-on and energetic way, in a highly-pressurised role.

Please send your CV with current salary details to: Ken Brotherston, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 90088/A. Alternatively send by fax on 0171-312 0020 or e-mail to cv@kfselection.com Internet Home Page: http//www.kfselection.com

K/F SELECTION

A DIVISION OF KORN/FERRY INTERNATIONAL

To £55,000 package + benefits *Major UK Quoted Group* *London*

Corporate Development Executive

Internal promotion within this profitable and fast growing manufacturing and distribution group has created the opportunity for a first class finance professional. Turnover of £1.3bn has trebled over the past four years through acquisition and organic growth. Working closely with the Chief Executive and the Group FD, the key tasks will be to evaluate and deliver a broad range of corporate development initiatives as the group continues to grow both organically and by acquisition. Good career opportunity into line management.

THE ROLE

- Supporting the board in all aspects of acquisitions and disposal transactions to deliver a progressive strategy focusing on shareholder return.
- Working closely with senior line management on budget preparation and capital expenditure reviews. Reviewing the performance of acquired companies and conducting ad hoc projects.
- Acting as a key external facing resource for group finance; researching corporate development opportunities and dealing directly with third party advisors.

THE QUALIFICATIONS

- Ambitious graduate ACA, aged late twenties to early thirties with prior exposure to corporate development from a corporate, banking or the Profession. A European language advantageous.
- Adept relationship builder, comfortable operating at board level with the intellect and interpersonal skills to influence and support senior executives across the business.
- Pragmatic analyst and presenter with strong financial skills. Self-starter able to grow both personally and professionally within the role and progress further.

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. FA201096L, 16 Connaught Place, London W2 2ED

Controller – France

World leading service company

c. FF700,000 + Bonus + Benefits **Paris**

Our client, with worldwide revenue in excess of $3 billion, is recognised as being the market leader in the transportation service industry. This U.S. based multinational corporation is currently seeking a Controller for its French business unit, the largest and most profitable operation in Europe. Reporting to the General Manager – France and functionally to the Controller of European Operations, responsibilities will include:

- Directing the financial and accounting functions of a $200 million business unit in accordance with U.S. GAAP standards and local statutory requirements.
- Prepare, analyse and interpret financial matters for utilisation by management in the decision making process and evaluate the data with reference to company and unit objectives.
- Establish and maintain an integrated financial plan consistent with the company's goals and objectives, both short and long term, analysed and revised as required and communicated to all levels of management.
- Develop and revise internal control standards to provide guidance and assistance to other members of management in ensuring conformance with company standards.
- Oversee assigned tax, treasury, purchasing and MIS functions, maintain appropriate relationships with internal and external auditors and develop and maintain systems and procedures in accordance with company standards.

The ideal candidate will be a qualified accountant and probably an MBA with at least 10 years PQE gained with U.S. multinational organisations and possess prior Controllership or FD experience. Given the highly commercial focus of this position, the individual will display both strong technical skills and considerable business acumen and be able to operate in an environment that is transitioning to a centralised shared service structure.

This is a challenging and demanding role which will require a proactive individual with superior communication skills, a grasp of day-to-day management as well as the ability to make a significant contribution, at a strategic level, to the performance and profitability of the company. Fluent English and French is essential.

Suitable candidates should forward their details to the advising consultant, Jonathan Kidd, at Harvey Nash Plc, 13 Bruton Street, London W1X 7AH. (Tel: 0171 333 0033, Fax: 0171 333 0032.) Please quote reference HNF151FT. You may also apply via http://taps.com/Harvey_Nash

HARVEY NASH PLC

SENIOR EUROPEAN FINANCE DIRECTORS

Spain Sweden France Germany

Excellent compensation packages and benefits

A dynamic multi-national, our client has revolutionised the IT market through unique sales techniques and an exceptional customer commitment. Strong financial management is fundamental to the continued market growth and success of this company and is a key factor in determining its future strategy.

Revenue growth in excess of 45% per annum and a series of internal promotions throughout Europe have created four outstanding opportunities for ambitious Senior Finance Executives in **Spain, Sweden, France and Germany.**

The successful candidates must be accomplished communicators, have a high degree of commercial acumen, and the ability to positively influence business performance and lead in decision making at national and regional levels.

Equally, you must be fluent in English and at least one of the above local languages, and be able to demonstrate considerable success in International financial management at a senior level. Tenacity, flexibility, mental toughness and ambition will provide you with exceptional career opportunities within this vibrant global Corporation.

Candidates interested in these outstanding opportunities should send/fax their CV (in English) to our advising consultants Jane Storie and Mark Pockele at FSS Europe, Charlotte House, 14 Windmill Street, London W1P 2DY, United Kingdom. Fax: 44 171 209 0001 or 44 171 813 9479. Tel: 44 171 209 1000. Quoting reference: FT000.

FSS EUROPE

Ghana ***£55,000 + expatriate package***

Abosso Goldfields Limited is in the final stages of the transition from Gold Explorer to Producer with the challenge of bringing on stream a mine with a Gold Production of 280,000 ounces a year and an annual operating budget of approximately US$60m. Our client is 90% owned by Ranger Minerals, a publicly quoted company based in Perth, Western Australia.

They are now seeking to recruit a high calibre individual to help spearhead the company's next phase of development. Reporting to the Operations Manager on-site, you will operate as part of the senior management team, assisting with the development of broad operating, philosophy for the project.

Your key responsibilities will include:-

- Development of operational controls and reporting procedures.
- Implementation and development of an Integrated Accounting System.
- Financial Analysis and Cash Flow Management.
- Budgetary Co-ordination and control.
- Corporate and statutory reporting including taxation.
- Management of Personnel and Procurement functions comprising 34 staff.

You will be a qualified Accountant with a proven track record of success at a senior level. Possessing strong inter-personal as well as man management skills you will have had broad exposure to administrative procedures. Previous industry related experience is desirable, but not essential, however, knowledge of working in a multi-currency environment is a pre-requisite.

Age will not be a barrier, but candidates should be adventurous, outgoing and able to meet the challenges of living in a tropical climate in West Africa. Contracts for the position are specific to the requirements of the project, however, it is envisaged that contracts will for a period of three years with a possible extension.

Situated in the Tarkwa district of south western Ghana, local conditions are excellent and the environment is family orientated. The post attracts a generous benefits package including accommodation, 70 days' leave per annum, travel, medical and other expatriate allowances.

For further information in the strictest confidence contact Graham Guess on 01895 850 582. Alternatively, send your résumé quoting reference number 1119/38 to Morgan & Banks PLC, Brettenham House, Lancaster Place, London WC2E 7EN. Fax number: 01895 850 775

Morgan & Banks
INTERNATIONAL

BRITISH VIRGIN ISLANDS

Due to the continued expansion of our Tortola office, we are seeking to recruit a

CHARTERED/CERTIFIED ACCOUNTANT

The successful applicant should have 3-4 years post qualification experience and should be sufficiently proficient in their knowledge of I.T. systems to manage the existing I.T. installation and liaise with Group head office in the development and maintenance of systems.

Reporting to the Managing Director, this position will form an integral part of the senior management team and carries responsibility for all internal operating controls and systems. Experience in the offshore financial field would be an advantage but is not essential.

THIS POSITION REPRESENTS AN OPPORTUNITY FOR A CAREER PATH INTO A SENIOR MANAGEMENT POSITION FOR AN AMBITIOUS PERSON WISHING TO JOIN A MAJOR OFFSHORE FINANCIAL SERVICES GROUP.

An attractive package is offered, including an incentive scheme, non contributory pension arrangements, company car and health scheme.

Applications, including a full C.V. should be addressed to Box A5682, Financial Times, One Southwark Bridge, London SE1 9HL

Spanish or Russian Speaking Accountants/MBAs

International M&A/Corporate Finance

Mid/Late-20s ***to c.£40,000 + Car*** ***West London***

Our Client is a substantial international division of a major blue chip UK Plc with worldwide operations and a market leader in its consumer product sector.

Growth opportunities and planned expansion have created a need for one, possibly two, exceptional young individuals to join its small Business Development team working within the overall divisional finance function in the capacity of Senior Corporate Finance Analyst(s), to provide support to the Corporate Finance Director.

The Business Development team works at the highest level within the division, both at the centre and with local/regional operational management worldwide. It provides a commercial/financial evaluation and centrally based "corporate finance service" across the division on a global basis.

As a key member of an integrated project team you will evaluate potential acquisitions/JVs/disposals, structure deals, participate in or co-ordinate due diligence and generally project manage the deal process. You will be required to communicate and liaise effectively with senior management, within the organisation and with vendors, as well as with external advisers and, therefore, you should be capable of building strong high-level working relationships. Excellent career development opportunities are likely to follow from this role.

You will be a graduate ACA/ACMA or MBA in your mid/late 20s, highly PC-literate and possessing strong analytical skills. Experience of project related work including DCF modelling skills, ideally gained in a corporate finance environment either in industry, the profession or an investment bank is highly desirable. You must also be a fluent/good Spanish or Russian speaker.

You should write or fax in confidence, enclosing your resume and current salary details and daytime/evening telephone numbers, quoting reference 609/A on both envelope and letter/fax, to the address below:

Chryssaphes Flammiger Associates, Bechtel House, 245 Hammersmith Road, London W6 8DP (Fax: 0181 528 9878).

C
F
A

Finance Managers

Bakerloo and Victoria Lines

£26,900 - £40,400

London Underground is a complex rapid transport system with over 2.5 million customers daily. To ensure our continued success we are investing heavily across all aspects of the network, and are now seeking two experienced finance professionals, one for the Bakerloo Line (700 staff, 11 fully owned stations and 250 tube cars) and another for the Victoria Line (730 staff, 10 fully owned stations and 344 tube cars).

These are senior management roles demanding a high level of commercial expertise in order to plan, develop and co-ordinate the Lines' financial and commercial activities, including the provision of professional asset management and financial information systems to ensure commercial viability into the future.

Your wide-ranging brief will involve providing management information, financial forecasts, business performance targets and identifying future investment requirements. Whilst financial success is your main remit, you will also contribute to the overall management of the Lines by helping to develop creative and innovative business solutions within a changing environment.

A qualified Accountant, you should have at least three years' broad based management experience, ideally gained within the service sector. You will have first-rate leadership, communication and performance management skills, which will be fully utilised in heading your own team, who will count on you for support and guidance to achieve their full potential. Excellent planning and organisational ability combined with a thorough understanding of information systems is essential.

We can offer an attractive remuneration package together with excellent opportunities for personal development.

Please contact Diane Dean, Resource Consultant on 0171-918 1118 for an information and application pack. The closing date for completed applications is 23 September 1996.

Working Towards Equality

Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday

For further information please call:

Robert Hunt on +44 0171 873 4095

Walsh International

EUROPEAN FINANCIAL CONTROLLER
DIRECTOR DESIGNATE

c£35-45k + Bonus + Benefits — **SW London**

Walsh International is a major global supplier of sales and marketing information systems to the Pharmaceutical and Healthcare Industry. With a turnover in excess of $50m and operations in 13 countries it has recently been successfully floated on the Nasdaq Stock Exchange. Based at the UK corporate office in London this challenging new position is a result of their rapid growth over the last 5 years.

This key role offers a wide scope of influence and accountability. Reporting to the Chief Financial Officer, you will be responsible for the consolidation and analysis of plans, budgets, forecasting and results of 8 European Subsidiaries. Working closely with the VP Europe, you will provide support in the setting and reviewing process of plans and budgets together with actively supporting the Financial Controllers in each European country in driving initiatives forward.

You will need to be a qualified Accountant with at least 5 years PQE. Having worked with a multi-national company you should have a mix of operational and HQ experience, ideally within a service oriented environment. Knowledge of PC based computer systems is essential whilst a second European language and knowledge of USA statutory requirements is an advantage. This demanding role requires a proactive individual used to managing change, with energy and initiative together with strong interpersonal skills.

Walsh International is a growing international company and excellent career development opportunities will be available for the successful candidate.

Please apply in writing with full career and salary details to Richard Edmondson, Mercuri Urval Limited, Peat House, 45 Church Street, Birmingham B3 2RT, quoting reference 0508/200.

Mercuri Urval

COMMERCIAL DIRECTOR

Midlands

Circa £40k Plus BMW 520 + Benefits

THE COMPANY

Our client, a dynamic and profitable customer-focused retail services company, turnover in excess of £25m, is poised for a major programme of re-structuring and change. With the backing of a large multi-national Group, the new management team is putting in place an ambitious strategy for growth.

THE OPPORTUNITY

You will take full accountability for the financial management of the business, which will include client contract negotiations. Line management responsibility will cover a broad range of head office finance and non-financial functions. A key element of this important new position will be working closely with senior colleagues and corporate clients to enable and facilitate strong commercial decision-making.

THE CANDIDATE

The successful candidate will be a graduate qualified accountant, currently operating at senior management level, with a positive record of achievement in a retail or similar environment. A high level of drive and enthusiasm will be looked for together with a clear head for figures and a natural instinct for profitable business management.

If you are interested in the exciting opportunity, please write, in confidence to Raj Abraham at ABPM, 7 Eldon Chambers, Nottingham NG1 2NS, enclosing your CV with present remuneration, day and home telephone numbers.

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FINANCIAL CONTROLLER

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The Company

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Responsible for the entire financial management of the UK company, you will be heavily involved in planning and forecasting for the successful launch, together with developing financial control and management information systems. You will work closely with the Managing Director, deputising in their absence and be closely involved in commercial and operational issues. Your role will quickly develop as the company grows and you will play a key role in analysing the potential of new sites.

The Appointee

Energetic, ambitious and pro-active, you will have excellent technical skills together with a commercial approach. You will have at least four years post qualified experience within retailing and be seeking a challenging role where you can assist in driving the business forward. Demonstrating strong inter-personal skills you will have an innovative and inquisitive manner and be committed to providing a high quality service to the business and its customers.

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US MULTINATIONAL - FAST GROWING EUROPEAN SUBSIDIARY

CHIEF FINANCIAL OFFICER

c.£60,000 + bonus + benefits — **WEST LONDON**

Paxar Europe is a wholly-owned subsidiary of Paxar Corporation, a global c.£135million world leader in the manufacture of identification products and systems for the retail apparel and textile industries. With European sales of c.£32million, a combination of organic growth and acquisition activity in its markets will enable the company to continue to expand rapidly and profitably. An outstanding opportunity now exists for a Chief Financial Officer to play a key part in its growth.

The Position

- Report to the CEO, Paxar Europe, manage financial implications, reporting and details of investments and trading throughout Europe.
- A senior member of the management team involving him/herself with future strategic direction of the company.
- Play a major role in acquisition activity and joint venture negotiations.
- Establish a sound relationship between senior management of both the US parent company and the various operations forming Paxar Europe.

The Requirements

- Experience in managing financial transactions, including acquisition and joint ventures, within Europe.
- A successful track record in financial management of a manufacturing company with experience in understanding financial reporting in major European countries.
- A qualified chartered or management accountant with a degree, possibly an MBA and fluency in English and at least one other major European language.
- Strong financial, business, IT and interpersonal skills with the highest levels of intellect, energy and integrity.

Please send your CV with currently salary details to: David Gibbs, K/F Selection, Concorde House, Trinity Park, Bickenhill Lane, Solihull B37 7ES, quoting ref: 90991/B. Alternatively send by fax on 0121-782 2524 or e-mail to cv@kfselection.com Internet Home Page: http://www.kfselection.com

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UK Plc – Hi-Tech

Financial Controller

Cambridgeshire – £40/45,000 + car

- Our client is developing rapidly and building a strong reputation within its specialised market sector, and currently employs in excess of 200 people. As well as growing the UK business, the company has plans to expand internationally, probably by acquisition.
- Arising out of this growth there is now a requirement to appoint a Financial Controller, who, reporting to the Finance Director, will manage a small finance function and service the business through the development and production of pertinent management information as well as meaningful budgeting and forecasting.
- Candidates should be qualified accountants with a minimum five years PQE, ideally gained from within a hi-tech or pharmaceutical environment, who are technically strong and have good forecasting and budgeting skills. Key requirements are demonstrable staff management abilities and a sufficiently outgoing attitude to relate effectively across other disciplines, with particular emphasis on technical managers. Acquisitions experience would be helpful.
- The growth of the business is such as to offer further career opportunities in the longer term.
- There is a flexible benefits plan which includes a bonus and share options and relocation assistance is available if appropriate.

Please send your curriculum vitae with current salary details and an explanation of how you meet these requirements to Carrie Andrews, Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference CA0042.

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Financial Controller
World leader in transportation systems

Midlands – c. £40,000 + car + benefits

- Formed by an alliance of two major worldwide organisations, our client is part of an internationally based transportation group operating in an exciting, challenging market, with a strong local presence. The Group employs in excess of 4,000 people in the UK, with a turnover of £400m; and employs 23,000 people worldwide, with a turnover in excess of £3bn. Our client manufactures turnkey transportation solutions and has a range of high profile reference sites throughout the world.
- This new role has been created to enable the Finance Director of the company to concentrate on finance issues at a strategic level. The Financial Controller will be expected to proactively take control of the function in order that the Finance Director can quickly shift his focus. Overall, the individual will be responsible for all aspects of the accounting process and the co-ordination of the budgeting and forecasting cycle and will be supported by a small team to manage these activities.
- A qualified accountant, preferably CIMA, you can demonstrate strong technical accounting skills, ideally in a manufacturing environment. You should display effective leadership skills and a commitment to developing the competencies of people around you. To excel in this role you will need to present a determined personality and take the lead in developing successful relationships with your peers and the executive team and be able to operate in a decentralised project structure. Computer literacy and sound problem solving skills as well as the ability to work to tight deadlines will also be required to succeed in this role.
- In return you will be offered a competitive compensation package with the opportunity to progress your career locally or internationally.

To be considered for this position please send your curriculum vitae with current salary details and an explanation on how your experience meets the above criteria to Paul Modley, Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, (fax: 0171-931 1022), quoting reference PM0056.

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Pembroke Hall, Pembroke, Bermuda

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Newport Investment Management

Orion Fund Limited

BERMUDA (REGULATED)(**)

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M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port, Guernsey

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

Old Mutual International Fd Mngrs Ltd (z)

Berkshire KITC Growth Fund Plc

NAV	$8.10	—	—	-

Berkshire Korea Fund Plc

NAV	$4.72	—	—	-

Blackstone Franks Managers Ireland Ltd

Bordier Invest (Ireland) Ltd

Prolific International Fund Plc

Buchanan Asset Management (Ireland) Ltd

CFP Interest Rate Arbitrage Fund Plc

Calpine Fund

Capital Vision Fund Plc

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LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

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(**) Funds not SIB recognised. The regulatory authorities for these funds are:
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Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monetaire Luxembourgeois.

Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:

(☼) 0001 to 1100 hours
(☼) 1101 to 1400 hours
(▲) 1401 to 1700 hours
(♦) 1701 to midnight

E Exit charge on sale of units.
C Manager's periodic charge deducted from capital.
H Historic pricing F - Forward pricing
h Distribution free of UK taxes.
p Periodic premium insurance plans.
s Single premium insurance.
u Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x Offered price includes all expenses except agent's commission.
z Previous day's price.
§ Guernsey gross.
◆ Yield before Jersey tax.
† Ex-subdivision. xd - Ex-dividend.
‡ Only available to charitable bodies.
φ Yield column shows annualised rates of NAV increase.

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BANKS, RETAIL

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ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

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EXTRACTIVE INDUSTRIES - Cont.

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LONDON STOCK EXCHANGE

MARKET REPORT

Big fund raising hint fuels takeover talk

By Steve Thompson, UK Stock Market Editor

A sudden and powerful burst of takeover rumour-inspired activity in the pharmaceuticals sector, plus a bullish survey of distributive trades from the Confederation of British Industry were behind a strong showing by leading UK stocks yesterday.

The speculative buying in the drug stocks and the impact of the CBI survey on the consumer areas of the stock market helped damp down the ever-present worries in London about the crucial US non-farm payroll report for August, expected this afternoon.

At the close, the FT-SE 100 index was 14.5 higher at 3,887.2. Second-line stocks were left well behind, however, as the big institutions and speculators concentrated their resources on the leaders. The FT-SE Mid 250 made good progress in mid-morning, when it posted a near-20-point gain, but faltered in mid-session and closed only 0.7 higher on balance at 4,406.7.

Engineering-related stocks provided a substantial drag on the Mid 250, with Vickers, Henlys and Senior engineering occupying the top three slots in the Mid 250 worst performers table.

The market's firm feeling at the close was in contrast to the start of trading which saw share prices struggling to cling on to modest early gains, with market-makers unconvinced about Wall Street's security so close to the non-farm payroll report.

But with the excellent news from the CBI survey, which showed retail sales running at their best levels for eight years, share prices began to accelerate, helping sentiment across the market.

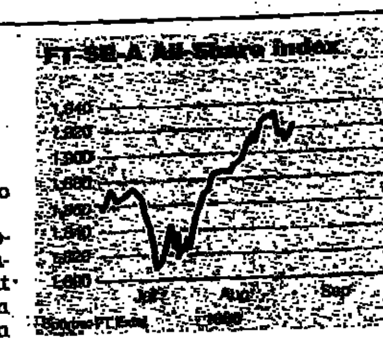
Fresh worries about Wall Street began to erode sentiment in the afternoon and the FT-SE 100 briefly moved into negative ground before picking up rapidly as the bid stories began to circulate. Market talk suggested that one of the big investment banks had raised between £5bn and £8bn on Wednesday and that the money would be used in helping to finance a big FT-SE 100 takeover bid.

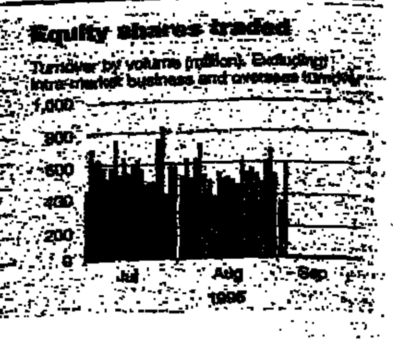
Putting two and two together dealers focused on the most plausible takeover stories of recent months and came up with Zeneca, which has been linked with stories of bids from Glaxo Wellcome, SmithKline Beecham and big continental drug groups, including Hoechst and Bayer.

Gains in the three big UK drug stocks, Zeneca, Glaxo Wellcome and SmithKline accounted for no less than 10.3 FT-SE 100 points.

There was a measure of disappointment with the level of turnover in equities, which came out at 661.3m shares at the 6pm count. Customer business on Wednesday was worth £1.55bn.

Even without the takeover stories, senior traders are bracing themselves for a big day in the market; "It could well be a 100-point day in London and in Wall Street, on the upside or the downside, depending on the employment numbers," said one head dealer. "And if we get a big bid, it will be even hotter," he said.





Indices and ratios

FT-SE 100	3887.2	+14.5	FT Ordinary Index	2801.1	+5.1
FT-SE Mid 250	4406.7	+0.7	FT-SE-A Non Fins p/e	17.46	17.37
FT-SE-A 350	1945.2	+5.8	FT-SE 100 Fut Sep	3890.0	+2.0
FT-SE-A All-Share	1922.55	+5.44	10 yr Gilt yield	7.91	7.91
FT-SE-A All-Share yield	3.84	3.85	Long gilt/equity yld ratio	2.14	2.14

Best performing sectors		Worst performing sectors	
1 Pharmaceuticals	+2.4	1 Textiles & Apparel	-1.3
2 Household Goods	+1.8	2 Extractive Inds	-0.8
3 Consumer Goods	+1.3	3 Tobacco	-0.7
4 Retailers: General	+0.9	4 Paper, Pckg & Print	-0.6
5 Retailers: Food	+0.8	5 Banks: Merchant	-0.5

Bid talk lifts Zeneca

By Joel Kibazo and Lisa Wood

In the last hour of trading, shares in pharmaceuticals giant Glaxo Wellcome and those of Zeneca moved sharply ahead as talk of a bid from the former for the latter spread through the market.

By the time the session drew to a close, shares in Zeneca had raced 43 ahead to a record 1,587½p, after trading 2.9m, while those in Glaxo had improved 21½ to 936½p, in volume of 5.3m.

Dealers suggested general sentiment was enhanced by the overnight strength in US pharmaceutical stocks while individually Zeneca was boosted by news that a subsidiary had received approval from Canada's Health Protection Branch for its breast cancer drug Arimidex.

The treatment reduces side effects for patients with advanced cases and a spokeswoman for the company said the drug had a potential market of 20,000 patients in Canada.

The positive sentiment in the drugs sector as a whole soon spread to other stocks. They included SmithKline Beecham where the shares put on 19½ to 768p.

Shares in generator National Power fell 7½ to 386½p, after a broker turned negative on the stock.

In a review on the prospects for several energy stocks in the period beyond 1998, analysts at Kleinwort Benson downgraded their recommendation on National Power from "hold" to "sell". The team at Kleinwort Benson believes the period after 1998 will be marked by increased competition and suggests National Power will be unable to maintain current earnings or grow the dividend. For those wishing to invest in a generator, the team suggest switching out of National Power and into PowerGen, explaining, "It is better placed to meet the challenges of the time." PowerGen shares eased a penny to 494p. The government sold its residual stake in National Power, some 28.5m shares on Tuesday.

A two-way pull in British Energy left the shares unchanged at 98¾p following trade of 2.2m. In the same review, Kleinwort Benson reiterated its "sell" stance on the stock suggesting it too faced a bleak future in a more competitive environment.

There was heavy trading in the options market in Bass, which fell 14 to 801p, with some traders understood to have taken the view that it could fall as low as 750p. This is because of concerns that its acquisition of Carlsberg-Tetley could be referred to the Monopolies and Mergers Commission.

There was strong argument in the market that a number of pub companies will benefit from increased consumer spending on AWPs, or fruit machines, which have been allowed recently to increase their pay-outs. Fruit machines can contribute more than 20 per cent of a managed pub's profits. J.D. Wetherspoon, which said at its final results earlier this week that income from gaming machines was growing, added 7½ to 990p.

Grand Metropolitan hardened 4½ to 473½p following the announcement of the sale of its Erasco food business in Germany. Analysts welcomed the move because they said that Grand Metropolitan was not a big enough player to survive in that sector in the long term.

A number of food retailing stocks recovered with analysts adopting the view that there had been an over-reaction to the announcement by Tesco of its new cost cutting campaign, which begins on Monday, and that the fall in many stocks on the announcement provided a buying opportunity.

One said that he did not believe that the price war would be as aggressive as last year when hard lessons had been learnt. "Retailers have to give the impression to their customers that they are providing value for money but they must also satisfy their shareholders."

Tesco, which climbed 6 to 297p and Safeway, up 6½ to 329½p, were also buoyed by positive reports from AGB while J Sainsbury, which was said to be not as robust as some of its competitors, fell 2½ to 375½p.

The retail sector benefited from the Confederation of British Industry reporting a surge in British retail activity in August. Among the beneficiaries were Marks & Spencer, which added 9 to 495½p and Next which advanced 6 to 572½p. Dixons added 10½ to 542p following its agm, where like-for-like sales were said to be better than expected. A number of analysts increased their forecasts including UBS which increased its full year estimate from 180m to £190m.

Hillsdown fell 4½ to 180p despite interim results in line with expectations. Some analysts were reported to be disappointed that the new chief executive had not made any announcement about the future structure of the group.

Granada, which was adversely affected by the conflict in the Gulf, recovered 8 to 864½p following the announcement of the sale of its Spring Grove Services to the Davis Service Group for £136.5m.

The disposal, which is a step in the concentration within Granada on substantial core businesses, was approved by analysts who said that the price was higher than expected and reflected well on Granada's ability to sell businesses. Forecasts however were unchanged.

Airtours added 10½ to 610p on the back of the latest advance booking figures which show them going well.

Analysts tweaked forecasts for Royal Doulton after better-than-expected results, in part due due to a turnround of Japanese operations. The china maker advanced 10 to 295½p.

A scramble for stock in Lasmo saw shares in the group rise to the top of the list of the day's best performers. They closed 6½ ahead at 202½p.

Dealers suggested the demand for stock followed an overnight switch by one investor from Enterprise Oil into Lasmo. The investor was said to have acted through Kleinwort Benson. Shares in Enterprise fell 8½ to 530p. Volume was 1.4m.

Among engineering related stocks, Rolls Royce continued to be powered by the flow of new orders. The shares gained another 5 to 235p in hectic trading that brought volume of 13m, after announcing it had won new engine business worth up to $500m from Condor, a subsidiary of Deutsche Lufthansa.

Uncertainty about newly announced board changes together with a broker's downgrade combined to hit engineering group Vickers which reported figures yesterday. The shares tumbled 12 to 259½.

FINANCIAL TIMES EQUITY INDICES

	Sep 5	Sep 4	Sep 3	Sep 2	Aug 30	Yr ago	High	Low
Ordinary Share	2801.1	2796.0	2786.7	2807.7	2797.3	2653.7	2863.2	2588.8
Ord. div. yield	4.05	4.06	4.08	4.05	4.06	4.04	4.22	3.76
P/E ratio net	17.02	16.99	16.89	17.02	16.96	15.64	17.25	15.80
P/E ratio nil	16.89	16.83	16.73	16.86	16.80	15.75	17.03	15.71

Ordinary Share index since compilation: high 2863.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2796.2	2800.9	2798.3	2802.1	2807.2	2808.3	2798.3	2798.5	2800.1	2808.0	2794.6

	Sep 5	Sep 4	Sep 3	Sep 2	Aug 30	Yr ago
SEAQ bargains	33,369	31,204	29,984	27,395	31,732	27,484
Equity turnover (£m)†	-	1582.5	1908.7	922.2	1547.0	2178.8
Equity bargains†	-	32,646	32,869	31,041	35,417	46,366
Shares traded (mil)†	-	552.1	590.3	368.2	521.7	1118.9

†Excluding intra-market business and overseas turnover.

	Sep 5	Sep 4	Sep 3	Sep 2	Aug 30	Yr ago	High	Low
FT-SE AIM	1058.40	1057.40	1071.50	1063.70	1062.40	-	1140.40	965.70

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	536	Total Highs	66	Total contracts	28,430
Total Falls	478	Total Lows	34	Calls	14,969
Same	1,658			Puts	13,461

Sept 5 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3886.0	3890.0	+5.0	3900.0	3875.0	10355	53181
Dec	3909.5	3912.0	+5.0	3918.0	3897.5	1274	11640
Mar	-	3925.0	+5.0			0	330

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Sep	4400.0	4405.0	+5.0	4400.0	4400.0	94	3598
Dec	4435.0	4460.0	+28.0	4460.0	4435.0	80	231

■ FT-SE 100 INDEX OPTION (LIFFE) (*3885) £10 per full index point

[illegible]

Calls 6,895 Puts 5,845

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P
Sep	167	2½	120½	6	78	13	42	27
Oct	181	15½	139½	23	101	34½	68	51
Nov	202	28	162	37½	126	51	94	68½
Dec	227	43			163	67½		
Mar†	286	74			199½	104½		

Calls 3,271 Puts 2,073 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§100	F.P.	-	100	100	Amer Opps Ln 03/06	100		-	-	-	-
-	F.P.	12.4	68	64½	†Barbican Hithcre	64½		-	-	-	-
-	F.P.	217.8	196	191½	Dairy Crest Grp	191½		W9.1	2.7	5.9	7.9
*	F.P.	5.17	4	4	†Dentmaster	4		-	-	-	-
§	F.P.	87.0	679½	669¾	Egypt Trust	669¾	-1	-	-	-	-
§145	F.P.	60.7	246	148	†Elec Retail Sys	241		-	-	-	-
§	F.P.	2.49	53	41	†Fayrewood	47½		20.4	-	1.1	-
16	F.P.	6.82	23	17	†Gabriel Trust	19	-1	-	-	-	-
§	F.P.	18.8	69	57½	†Gall Thomson Env	60½		W-	-	-	8.7
§65	F.P.	16.3	65½	65	Hambros Sm Asn C	65½	+½	-	-	-	-
§100	F.P.	24.4	98	94	Hoare Gvt 1000 C	97½		-	-	-	-
§12	F.P.	0.60	15	12	†Life Numbers	12		-	-	-	-
§	F.P.	0.16	6	2	†Life Numbers Wts	5		-	-	-	-
-	F.P.	4.35	16½	13	†London & Ed Publ	14½	-½	b0.25	3.9	2.2	10.8
-	F.P.	0.44	7	3	Pembarstone Wnts	7		-	-	-	-
§100	F.P.	79.8	99	90¼	Schroder Em Cos	91½	+¼	-	-	-	-
§	F.P.	6.71	39½	31	Schroder Em Wts	38½	+½	-	-	-	-
-	F.P.	40.6	376	343	Schroder Em Ct C	369		-	-	-	-
§85	F.P.	13.3	70	66	†Selector	68		-	-	-	-
-	F.P.	-	89½	85	St James Place	86½		-	-	-	-
-	F.P.	-	73	70	Value Rlstn Tst	70½	-1	-	-	-	-
§70	F.P.	8.34	72	70½	Walker, Cdps	70½		3.0	2.2	5.3	10.9

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Sep 4	% chg on day	Sep 3	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (30)	2042.96	-0.1	2045.73	1981.43	1.53	-	2520.23	1722.93
■ Regional Indices								
Africa (13)	2695.89	+0.1	2692.87	2718.15	2.89	37.79	3353.86	2272.74
Australasia (6)	2288.94	-0.2	2294.31	2374.23	2.43	22.34	2927.34	2123.50
North America (11)	1826.80	-0.2	1830.76	1670.76	0.72	67.50	2188.39	1468.04

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FT - SE Actuaries Share Indices — The UK Series

	Sep 5	Day's chge%	Sep 4	Sep 3	Sep 2	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3887.2	+0.4	3872.7	3855.9	3884.4	3545.6	4.03	2.07	15.02	134.10	1610.14
FT-SE Mid 250	4406.7	——	4406.0	4385.4	4414.0	3965.4	3.44	1.64	22.25	129.05	1784.78
FT-SE Mid 250 ex Inv Trusts	4446.1	——	4445.5	4424.5	4451.6	3983.8	3.52	1.67	21.21	135.54	1804.17
FT-SE-A 350	1945.2	+0.3	1939.4	1930.9	1944.8	1769.4	3.90	1.99	16.14	64.35	1645.44
FT-SE-A 350 Higher Yield	1855.8	+0.2	1852.2	1839.5	1851.0	1751.5	5.23	1.88	12.73	63.12	1320.01
FT-SE-A 350 Lower Yield	2042.4	+0.4	2033.9	2029.4	2045.8	1792.6	2.71	2.17	21.28	47.25	1424.00
FT-SE SmallCap	2167.00	+0.1	2164.75	2158.21	2164.50	1968.05	3.05	1.64	25.07	46.21	1790.09
FT-SE SmallCap ex Inv Trusts	2164.08	+0.1	2161.29	2154.52	2158.80	1957.84	3.25	1.72	22.43	48.35	1799.25
FT-SE-A ALL-SHARE	1922.55	+0.3	1917.11	1908.89	1922.02	1749.61	3.84	1.96	16.59	62.41	1650.84

■ FT-SE Actuaries All-Share

	Sep 5	Day's chge%	Sep 4	Sep 3	Sep 2	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3686.60	+0.2	3679.81	3672.02	3676.30	2998.59	3.69	1.63	20.75	93.81	1594.92
12 Extractive Industries(6)	4252.29	-0.8	4288.19	4248.26	4247.90	4204.74	3.77	2.52	13.15	109.19	1251.31
15 Oil, Integrated(3)	3773.99	+0.3	3761.24	3755.13	3762.37	2972.57	3.87	1.48	21.79	100.98	1676.45
16 Oil Exploration & Prod(15)	2714.78	+0.4	2703.07	2717.01	2706.55	2082.63	1.98	1.58	41.05	34.94	1635.07
20 GEN INDUSTRIALS(274)	2055.56	+0.1	2052.52	2038.11	2048.56	2008.72	4.22	1.81	16.37	57.77	1134.92
21 Building & Construction(34)	1162.89	+0.2	1161.11	1157.37	1162.39	958.27	3.57	1.57	22.37	23.17	977.41
22 Building Matls & Merchs(28)	1926.34	+0.3	1922.71	1911.11	1922.59	1806.37	3.98	1.71	18.37	48.45	981.60
23 Chemicals(25)	2436.93	——	2437.38	2422.70	2421.74	2506.70	4.15	1.61	18.71	77.61	1170.68
24 Diversified Industrials(18)	1557.85	+0.3	1552.87	1539.04	1549.82	1828.07	6.70	1.64	11.41	62.91	883.23
25 Electronic & Elect Equip(36)	2367.32	+0.6	2353.61	2353.37	2368.42	2165.31	3.29	1.54	24.69	57.55	1245.01
26 Engineering(71)	2536.02	+0.3	2528.31	2501.93	2510.32	2147.34	3.18	2.49	15.81	55.52	1553.16
27 Engineering, Vehicles(14)	3105.26	-0.5	3121.33	3091.58	3122.98	2576.24	3.44	1.98	18.34	85.71	1631.61
28 Paper, Pckg & Printing(26)	2684.27	-0.6	2699.22	2689.56	2710.86	2943.27	3.85	1.87	17.34	66.13	1128.47
29 Textiles & Apparel(19)	1246.33	-1.3	1263.00	1247.05	1254.87	1636.91	5.69	1.52	14.49	43.62	770.24
30 CONSUMER GOODS(81)	3696.63	+1.2	3651.04	3630.21	3649.58	3377.85	3.82	1.95	16.76	115.76	1386.30
32 Alcoholic Beverages(8)	2867.35	+0.5	2853.36	2828.29	2868.37	2908.63	4.40	1.62	17.54	91.68	1048.40
33 Food Producers(24)	2556.33	+0.2	2551.68	2523.60	2528.86	2530.56	4.10	1.90	16.03	70.59	1166.09
34 Household Goods(15)	2689.86	+1.8	2641.85	2627.07	2608.94	2870.60	3.77	2.25	14.70	59.03	1033.27
36 Health Care(20)	2038.17	-0.4	2045.49	2032.16	2022.34	1979.15	2.69	2.19	21.22	37.40	1246.57
37 Pharmaceuticals(13)	5614.42	+2.4	5480.93	5463.30	5496.53	4430.74	3.01	2.08	20.15	151.62	1932.96
38 Tobacco(1)	3706.01	-0.7	3731.42	3727.19	3735.86	4387.92	7.07	2.06	8.60	262.07	954.36
40 SERVICES(262)	2567.88	+0.3	2560.36	2556.92	2578.02	2228.62	2.87	2.01	21.75	62.12	1349.71
41 Distributors(31)	2876.90	-0.1	2878.87	2865.44	2875.72	2771.75	3.04	1.75	23.44	59.94	1069.86
42 Leisure & Hotels(24)	3219.35	+0.4	3205.80	3196.42	3226.94	2514.97	2.72	2.02	22.70	155.31	1741.09
43 Media(45)	4360.12	-0.1	4364.29	4351.58	4395.16	3422.22	2.08	2.01	29.86	84.58	1693.24
44 Retailers, Food(14)	1949.32	+0.8	1934.09	1972.90	1992.36	2246.85	3.93	2.38	13.47	65.17	1254.95
45 Retailers, General(44)	2156.14	+0.9	2135.93	2131.36	2147.34	1823.48	2.97	2.04	20.67	47.86	1244.34
47 Breweries, Pubs & Rest.(23)	3141.46	-0.5	3157.58	3146.19	3168.47	2626.19	3.25	1.98	19.43	67.20	1522.76
48 Support Services(49)	2481.04	+0.3	2473.66	2459.00	2471.82	1837.30	1.93	2.30	28.07	35.87	1585.84
49 Transport(22)	2406.76	+0.1	2406.94	2386.16	2405.93	2804.55	3.92	1.58	20.45	67.17	1017.38
60 UTILITIES(32)	2323.36	——	2323.04	2331.13	2346.26	2509.13	5.53	1.89	12.00	158.45	1034.50
62 Electricity(11)	2381.28	-0.4	2391.67	2375.68	2396.26	2821.66	6.82	2.40	7.65	429.17	1288.45
64 Gas Distribution(2)	1361.06	-0.2	1364.28	1361.06	1380.26	1766.18	8.80	1.36	10.46	66.67	713.90
66 Telecommunications(8)	1970.48	+0.2	1966.99	1969.58	1997.33	2200.82	4.09	1.53	19.95	50.32	915.25
68 Water(11)	2245.39	+0.2	2241.11	2232.66	2241.25	2081.65	6.13	2.31	8.81	94.85	1269.92
69 NON-FINANCIALS(663)	2031.40	+0.4	2023.06	2016.94	2028.72	1880.30	3.81	1.88	17.48	65.73	1565.25
70 FINANCIALS(104)	3088.22	-0.2	3095.47	3063.93	3097.99	2573.84	4.27	2.40	12.19	111.33	1354.57
71 Banks, Retail(8)	4373.04	-0.3	4387.82	4341.32	4399.43	3531.39	4.16	2.71	11.13	174.00	1461.31
72 Banks, Merchant(6)	3881.12	-0.5	3862.43	3718.37	3759.18	3802.64	2.58	2.53	19.21	63.39	1232.24
73 Insurance(22)	1475.29	-0.3	1479.05	1472.33	1484.31	1343.05	5.68	2.30	9.55	60.05	1127.88
74 Life Assurance(7)	3489.59	-0.1	3491.92	3447.01	3478.47	2784.51	4.27	2.21	13.23	103.40	1464.00
77 Other Financial(20)	2647.26	+0.5	2634.04	2608.19	2620.15	2267.65	4.05	1.75	17.82	77.11	1528.78
79 Property(41)	1637.31	-0.1	1639.06	1632.67	1644.88	1443.23	3.90	1.25	25.57	41.17	1020.28
80 INVESTMENT TRUSTS(127)	3158.62	——	3159.65	3146.66	3177.79	2978.06	2.25	1.11	50.21	51.78	1111.15
89 FT-SE-A ALL-SHARE(894)	1922.55	+0.3	1917.11	1908.89	1922.02	1749.61	3.84	1.96	16.59	62.41	1650.84
FT-SE-A Fledgling	1241.19	+0.2	1239.19	1238.07	1240.19	1072.45	2.78	2.31	19.62	24.06	1308.09
FT-SE-A Fledgling ex Inv Trusts	1256.55	+0.2	1254.12	1252.86	1254.28	1066.51	2.95	2.49	17.05	26.19	1325.42

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3873.1	3881.2	3877.2	3881.2	3886.7	3884.6	3874.1	3875.0	3885.2	3887.6	3870.2
FT-SE Mid 250	4404.8	4409.2	4409.7	4407.9	4410.0	4410.5	4407.9	4406.5	4406.6	4425.2	4404.8
FT-SE-A 350	1939.4	1943.0	1941.5	1942.9	1946.3	1944.5	1940.1	1940.3	1944.4	1945.6	1938.5

Time of FT-SE 100 Day's high: 11:52 AM Day's low: 2:41 PM. FT-SE 100 1996 High: 3918.7 (28/08/96) Low: 3632.3 (16/07/96).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1150.5	1151.0	1151.3	1150.9	1151.2	1150.9	1150.9	1150.8	1150.9	1150.9	1149.7	+1.2
Pharmaceuticls	5421.3	5442.6	5439.2	5460.7	5487.0	5486.1	5455.9	5460.7	5531.7	5542.7	5409.6	+133.1
Water	2230.5	2231.8	2231.6	2231.8	2232.2	2231.9	2232.5	2232.5	2232.8	2232.8	2228.4	+4.4
Banks, Retail	4440.0	4444.0	4435.8	4435.3	4440.9	4435.3	4418.9	4424.3	4423.0	4428.9	4443.9	-14.9

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
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TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 5 / Sch)

BELGIUM/LUXEMBOURG (Sep 5 / Frs.)

CZECH REP (Sep 5 / Koruna)

DENMARK (Sep 5 / Kr)

FINLAND (Sep 5 / Mkk)

FRANCE (Sep 5 / Frs.)

GERMANY (Sep 5 / Dm.)

GREECE (Sep 5 / Drachmae)

ITALY (Sep 5 / Lira)

NETHERLANDS (Sep 5 / Fls.)

NORWAY (Sep 5 / Kroner)

POLAND (Sep 5 / Zloty)

PORTUGAL (Sep 5 / Escudo)

SPAIN (Sep 5 / Pts.)

SWEDEN (Sep 5 / Kronor)

SWITZERLAND (Sep 5 / Frs.)

TURKEY (Sep 5 / Tk Lira)

PACIFIC

JAPAN (Sep 5 / Yen)

HONG KONG (Sep 5 / H.K.$)

INDONESIA (Sep 5 / Rupiah)

MALAYSIA (Sep 5 / MYR)

NEW ZEALAND (Sep 5 / NZ $)

SINGAPORE (Sep 5 / S$)

AUSTRALIA (Sep 5 / Aust$)

SOUTH KOREA (Sep 5 / Won)

TAIWAN (Sep 5 / TW $)

THAILAND (Sep 5 / Baht)

AFRICA

SOUTH AFRICA (Sep 5 / Rand)

		+/-	High	Low	Yld	P/E
W Area	64	+.25	72	51	1.8	—
W Deep	163.50	-2	223	100.50	3.9	—
Winkin	34.20	-1.20	44.50	25	8.8	—

NORTH AMERICA

CANADA

TORONTO (Sep 5 / Can $)

4 pm close

MONTREAL (Sep 5 / Can $)

4 pm close

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

Hong Kong					
Hang Seng(31/7/64)	11040.51	11076.95	10957.18	11594.99 18/2	10204.87 2/1
India					
BSE Sens.(1979)	(c)	3516.90	3484.68	4069.25 18/6	2828.08 25/1
Indonesia					
Jakarta Comp.(10/8/82)	543.03	546.00	540.54	630.21 24/4	512.48 2/1
Ireland					
ISEQ Overall(4/1/88)	2548.19	2526.5	2519.32	2695.19 18/6	2294.81 2/1
Italy					
Banca Comm Ital(1972)	561.76	598.51	584.12	674.10 20/5	572.21 27/3
MIB General(2/1/95)	986.0	987.0	990.0	1142.00 20/5	970.00 27/3
Japan					
Nikkei 225(16/5/49)	20379.82	20201.37	20186.15	22666.80 28/6	18734.70 13/3
Nikkei 300(1/10/82)	289.64	287.01	287.85	319.76 28/6	284.48 11/3
Taiwan					
Weighted Pr.**(30/6/66)	6304.96	6228.78	6257.97	6560.41 28/6	4690.22 6/2
Thailand					
Bangkok SET(30/4/75)	1022.88	1049.74	1084.45	1415.04 6/2	1022.98 5/9
Turkey					
Istanbul Crp.(Jan 1986)	63225.2	63486.4	62561.0	73637.30 8/7	38778.30 2/1
WORLD					
MS Capital Intl(1/1/70)	759.6*	758.8	756.8	783.20 1/7	725.90 15/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1638.85	1637.93	1630.68	1708.78 4/7	1504.40 11/1
Euro Top-100(26/6/90)	1410.10	1406.9	1400.09	1458.25 26/4	1333.01 11/1
HSBC JC Drgn(31/12/88)	(c)	368.71	368.28	383.16 16/4	344.19 2/1
MS Drags Emrg(7/1/92)	(c)	158.08	157.33	165.91 4/7	147.36 2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x index)							
Sep	1991.0	2003.0	+11.0	2006.0	1991.0	13,819	31,007
Oct	1996.0	2008.0	+11.0	2008.5	1996.0	693	4,079
DAX							
Sep	2533.0	2535.0	+3.5	2538.0	2525.0	12,137	—
Dec	2552.0	2553.0	+5.0	2555.5	2543.5	1,030	—
OMX							
Sep	1559.00	1561.00	+7.00	1562.00	1553.00	3,070	22,313
Oct	1564.25	1561.00	-0.50	1564.25	1561.00	35	1,282
SOFFEX							
Sep	3641.0	3634.0	-3.0	3649.0	3625.0	2,778	25,091
Oct	3640.0	3640.0	-6.5	3640.0	3640.0	6	666

** Sat Aug 31: Taiwan Weighted Price 6324.60; Korea Comp Ex 781.48. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Sep 5 - 2532.55 +8.37.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

US INDICES

Financial	68.16	68.14	67.88	70.69 (22/8)	58.67 (10/1)	70.69 (22/8/96)	8.64 (1/10/74)
NYSE Comp.	352.37	351.78	350.98	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	557.34	557.79	559.68	614.89 (22/5)	526.60 (16/7)	614.89 (22/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1143.82	1142.29	1141.50	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

RATIOS

	Aug 30	Aug 23	Aug 16	Year ago
Dow Jones Ind. Div. Yield	2.25	2.21	2.18	2.46
	Aug 28	Aug 21	Aug 14	Year ago
S & P Ind. Div. yield	2.02	2.02	2.04	2.07
S & P Ind. P/E ratio	21.77	21.74	22.04	18.68

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Office Dep	19.594m	20¼	+4⅝
Pepsico	8,387,400	28⅝	+⅛
Rew-Park	4,808,100	44	-½
Chrysler	4,491,600	28¾	-¼
Officemax	4,396,200	13⅛	-⅜
Rubbermaid	3,937,300	22⅞	-3¾
Hanson	3,435,900	12½	—
Compaq	2,890,800	57⅛	+¾
Nationsbk	2,678,600	83¾	+⅛
Exxon	2,271,100	83⅞	+¼

TRADING ACTIVITY

● Volume (million)	Sep 4	Sep 3	Aug 30
New York SE	353.581	325.733	259.946
Amex	14.130	17.894	13.748
NASDAQ	450.878	402.525	342.985
NYSE			
Issues Traded	3,174	3,171	3,136
Rises	1,378	1,019	805
Falls	936	1,399	1,473
Unchanged	860	753	858
New Highs	75	51	32
New Lows	25	39	27

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Sep	656.60	656.70	–	657.10	652.75	89,190	156,626
Dec	659.50	662.80	–	663.10	658.80	6,873	39,903

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Nikkei 225							
Sep	20280.0	20410.0	+220.0	20500.0	20260.0	30,374	181,072
Dec	20330.0	20420.0	+220.0	20510.0	20270.0	26,597	129,921

Open interest figures for previous day.

TOKYO - MOST ACTIVE STOCKS: Thursday, September 5, 1996

	Stocks Traded	Closing Prices	Change on day
NKK Corp	7.9m	289	
TYK Corp	5.9m	1760	+150
Toshiba Corp	4.7m	700	+3
Clarion	4.5m	607	+32
Nippon Steel Cp	4.1m	347	
Fuji Kosan	4.1m	490	-12
Mitsui Matushima	4.0m	715	+25
Kobe Steel	4.0m	290	+5
Daido Stl Sheet	3.2m	1500	+90
Ishihara Hvy Ind	2.8m	515	+9

NEW YORK STOCK EXCHANGE PRICES

4 pm close September 5

1996 High	1996 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23¾	17¾	AAR	0.48	2.2	21	184	21⅝	21¼	21⅝	-⅛
40½	30⅛	AMP	1.00	2.7	18	1486	38⅛	37⅝	37⅝	-⅛
87½	68	AMR			15	9167	80	77	77⅝	-2⅝
50½	37⅜	ASA	2.00	5.0	26	222	40⅛	39¾	39⅞	
47¾	36⅛	AbbtL	0.96	2.1	20	7051	46½	45¾	46¼	+¾
17¼	12¾	AbitibiPr x	0.40	3.0	8	777	13⅝	13⅛	13⅛	-⅛
20¼	13½	ABM Ind	0.35	2.1	17	130	16¾	16½	16½	-¼
18⅝	15⅞	Acptnceln			36	76	17⅞	17⅝	17⅝	
50⅝	37¾	ACE Ltd	0.56	1.2	11	979	47	46¾	47	
10⅛	9⅛	ACM Gvt In x	0.80	9.2	8	538	10	9¾	9¾	-¼
7⅞	6⅝	ACM GvOpp x	0.57	8.4		162	6⅞	6¾	6¾	
7⅛	6	ACM Gvt Sp x	0.66	10.2		96	6⅝	6½	6½	-⅛
8⅛	8¼	ACM Gvt Se x	0.80	10.4		298	8⅞	8⅝	8⅝	-¼
9⅝	8⅝	ACM MgIn x	0.90	9.6		369	9½	9⅜	9⅜	
13⅞	6⅛	Acme Elect	0.32	4.6	116	99	7⅛	6⅞	7	
17½	13⅞	Acme Mkts			9	67	14⅞	14½	14¾	
33¾	27¼	Acordia x	0.72	2.4	16	32	30⅝	30⅝	30⅝	-⅛
21⅞	12	Acuson			68	1083	13⅞	13⅜	13⅝	-⅛
19½	17⅞	Adams Exp	0.48	2.6	0	69	19	18⅞	18⅞	-⅛
21¼	10¼	AdvMic			7	2821	12½	12¼	12¼	-⅛
11⅛	8½	Advest Grp	0.16	1.8	7	24	9⅞	9¾	9¾	-⅛
26⅛	9⅛	Advo Inc	0.10	1.05	18	393	10⅝	10¼	10⅜	
51⅝	41⅛	Aegon	1.40	2.9	15	50	50	49½	49½	
6¾	3½	Aeroflex			3	46	5¼	5⅛	5¼	
69½	57⅜	Aetna	0.80	1.2	7	5503	67¼	66¼	66⅝	-½

Continued on next page

4 pm close September 5

NYSE PRICES

Continued from previous page

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg Prev. Close
[illegible]										
57¼	39¾	Xerox x	1.16	2.1	49	13575	57	55⅛	56⅝	+¼
47⅞	39¾	Xtra Corp	0.72	1.7	16	12	43½	43⅛	43⅝	-⅛
25¾	20⅞	Yankee Egy x	1.30	6.2	11	73	21⅝	21	21	-⅝
53¾	43⅞	York Int	0.36	0.8	21	880	47	46⅞	46⅞	-⅛
3⅞	3	Zapata	0.14	3.9	10	322	3⅝	3⅝	3⅝	
25¾	6⅞	ZenithEl				9 3306	14⅝	13⅞	13⅞	-⅛
28⅞	21½	Zenith Nat	1.00	3.8	35	59	26¾	26¼	26⅜	+⅛
7⅛	6½	Zweig Inc	0.72	10.5		80	7	6⅞	6⅞	
22⅞	15⅛	Zero	0.12	0.6	17	66	20	19½	19⅞	+⅛
23¼	18½	Zurn Ind	0.40	1.9	18	142	21⅝	21¼	21⅜	+⅜
11⅜	10½	Zweig Fund	1.08	10.0		376	10⅞	10¾	10¾	
9	8¾	Zweig Tot	0.84	10.0		801	8½	8⅜	8⅜	-⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. dis-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

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4 pm close September 5

AMEX PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close September 5

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMERICA

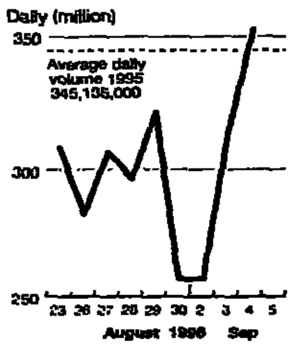
Employment figures hit bonds, shares

Wall Street

Rising bond yields led US shares to modest losses as investors in both markets anxiously awaited today's release of data on August employment levels, *writes Lisa Bransten in New York.*

At 1 pm, the Dow Jones Industrial Average was off 23.31 at 5,633.59, the Standard & Poor's 500 was 3.48 lower at 652.13, and the American Stock Exchange composite fell 1.97 at 559.31.

NYSE volume



NYSE volume was 205m shares.

Bonds exerted some downward pressure on shares as news that first-time claims *for unemployment benefits* fell by 15,000 last week, *causing some speculation that* today's figures on August employment might be stronger than the markets had expected. By early afternoon the long bond yield had climbed to 7.138 per cent.

The technology-rich Nasdaq composite was 8.04 stronger at 1,135.78 and the Pacific Stock Exchange technology index was 1.2 per cent lower. Semiconductor companies were particularly weak. Intel, the largest chip maker in the world, lost $1⅛ at $80⅞. Applied Materials shed $1⅝ at $23 and Motorola dropped $1¼ at $51⅛.

Computer makers were also lower with Compaq off $2⅝ at $54⅝, Dell Computer $2¼ weaker at $66⅝ and *Gateway 2000 losing $3⅛ at $41⅞.*

Campbell Soup jumped $4⅝ or 7 per cent at $72⅝. After the market closed on Wednesday the soup company announced a 26 per cent increase in earnings for the fourth quarter and said that it had agreed to buy Germany's largest soup company.

Kellogg, the cereal company, lost $1½ at $67 after putting out a profit warning late on Wednesday.

Several retailers lost *ground after reporting* disappointing August sales figures. Sears Roebuck, which is a component of the Dow, shed $⅝ at $44 *after reporting* 4.4 per cent growth in same store sales. The Gap lost $5¼ or 16 per cent at $28⅝ on news that same store sales were flat last month.

Canada

Toronto made a slow start, mirroring quiet trading on Wall Street. Declines comfortably outnumbered gains in early trading but the TSE composite still edged 0.32 higher to 5,164.09 at noon.

The best action of the morning centred on the high tech stocks like Newbridge Networks and Northern Telecom. Newbridge jumped C$2.60 to C$85.40 in the first couple of hours, and Nortel gained C$1.05 to C$69.85 after the securities house, Morgan Stanley, initiated coverage with an outperform rating.

Berna Gold was among the most active stocks, adding 50 cents to C$10.40. The retailer, Dylex, improved six cents to C$2.75 *following second quarter results.*

BA awaits summit news

Buenos Aires edged ahead at midsession as investors awaited news from a ruling Peronist party summit meeting. *The Merval index was 1.55 higher at 518.08.*

Analysts noted a show of strength would be needed from President Carlos Menem to win the support from the whole of the party to support measures in congress to fight the fiscal deficit. A tax package, launched by the government last month, still awaited debate in congress while a planned set of labour reforms promised to fuel opposition from the trade unions.

MEXICO CITY reversed early losses after rebounding at its psychological support level of 3,300 points and receiving a lift from US stocks that pared early losses.

The IPC index was up 13.01 at 3,343.00 at midsession. The bolsa slumped to a low of 3,314.69 points in early trade due to a bearish tone on Wall Street, and upside pressure on US long bond rates following lower than expected jobless claims.

S Africa industrials ahead

Johannesburg's industrial shares picked up after a slow start to end firm on futures-led trade. Golds, however, failed to shine as they tracked a lower bullion price and ignored a further slide in the rand which, analysts noted, usually translated into higher earnings for the mining sector.

The overall index was up 17.7 to 6,789.6 points, industrials rose 26.7 to 7,970.3 and golds fell 5.6 to 1,796.8.

Among golds, Vaal Reefs went against the trend, gaining R4.50 to R392.50 in light turnover.

Anglo American gained R3.25 to R279.75, De Beers rose by a more subdued *R1.25 to R140.00 and South* African Breweries gained 50 cents to R125.25.

Sasol added to its recent string of gains, rising *50* cents to R52.25 while its fellow oil refiner, Engen, lost 30 cents to R26.00.

EUROPE

Paris investors turn their backs on bad news

Special situations continued to lift PARIS, with investors calmly turning their backs on recent dull economic news and the pressures besetting the franc.

At the close, the CAC-40 stood another 11.46 higher at 1,996.23. Volume, *still seasonally sub-average,* showed signs of improving, and there was support from the futures market where trade in the September contract was said to have been brisk.

Among leading stocks, Danone jumped more than 4 *per cent, rising FFr29 to* FFr721 on the back of top-of-the-range interim results. Société Générale moved from hold to buy on the shares. Lagardere, tipped in the French press as front runner to win any eventual bid auction for Thomson-CSF, gained FFr3.90 to FFr121.60.

Elf produced solid results, but fell back on profit-taking and concern that the government is shortly to place its *10 per cent stake* in the company. The shares came off *FFr3.10 to FFr379.40.*

The interim results from Valeo were equally upbeat, and there was further *speculation about the future own*ership of a 28 per cent stake in the group held by the holding company, Cerus.

FT-SE Actuaries Share Indices

Sep 5						THE EUROPEAN SERIES		
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1636.57	1636.30	1636.95	1636.96	1636.96	1636.02	1636.03	1636.83
FT-SE Eurotrack 200	1711.45	1711.08	1712.35	1713.89	1714.04	1712.23	1711.28	1713.74
	Sep 4	Sep 3	Sep 2	Aug 30	Aug 29			
FT-SE Eurotrack 100	1637.93	1630.88	1640.35	1642.17	1655.54			
FT-SE Eurotrack 200	1710.94	1703.67	1712.88	1712.35	1724.74			

Base value 1000 (26/10/90) High/day: 100 - 1637.81; 200 - 1714.63 Low/day: 100 - 1634.79 200 - 1709.45. † Partial.

Valeo rose FFr4.50 to FFr262.50. Cerus, where broker estimates of net asset value range above FFr130, surged FFr11.30 to FFr109.80.

FRANKFURT came off the bottom late in the day as it digested higher than expected second quarter economic growth, a rise in German unemployment and a modest rise in domestic bond prices. The Dax index closed 6.37 higher at 2,532.55, after 2,523.50, turnover easing from DM4.7bn to DM4.5bn.

SKW Trostberg led the Ibis list, the speciality chemicals group rising DM1.48 or 3.6 per cent to DM41.98 as its chairman said that he was aiming for a 10 per cent *profit margin on sales.* Schering put on DM1.65 at *DM109, perhaps reflecting a* programme of investor relations meetings in the US.

On the downside, Deutsche Morgan Grenfell downgraded its recommendation for Preussag shares from neutral to underweight, having reduced its earnings forecasts from DM23 to DM18 a share for the current year to September 30, and from DM27.50 to DM21.40 for *1996-97. The shares fell DM7* to DM349.

MILAN remained transfixed by the unfolding Olivetti drama as Cir, Mr Carlo De Benedetti's holding company, tumbled L51.8 or 6.9 per cent to L695.2. Olivetti was suspended pending a meeting between the bourse authorities, company officials and the former director general, Mr Renzo Francesconi, who resigned on Wednesday after he cast *doubts* on the company's half year results, released *this week.*

Mr Michael Gent Eggett at *Credito Italiano* commented that Mr Francesconi "appears to have let the genie out of the bottle. Olivetti is not, and never has been, strong enough to develop a business in telecoms. The current business just cannot afford to finance the future business."

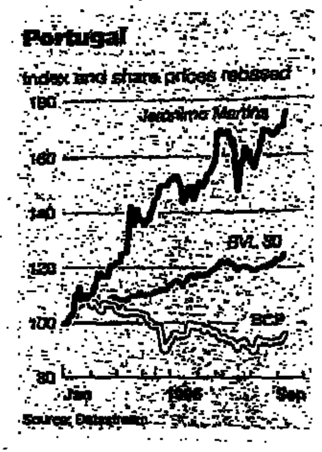
The broad market was weak, leaving the Comit *index 6.75 down at 581.76.* Stet, however, added L54 to L4,755 after IRI approved the spinning-off of its yellow pages publishing subsidiary.

ZURICH edged lower ahead of today's US economic data and the SMI index fell 7.1 to 3,627.1. Roche certificates which lost ground on Wednesday after a *Merrill Lynch downgrade,* remained under pressure, falling SFr65 to SFr8,975.

Recurring speculation about a link-up drove Elektrowatt SFr7 higher to SFr491 and Motor-Columbus up SFr70 to SFr2,510.

Sulzer registered eased a further SFr6 to SFr722 as problems at its textile machines division and the company's cautious outlook continued to override sharply higher first half profits.

AMSTERDAM traded narrowly *in thin volume* with most investors content to run level books ahead of today's US jobs data. The overall trend was modestly upwards with share prices showing a mixed tendency. The AEX index ended off 1.08 points at 553.08.



The supermarkets group, Ahold, improved 30 cents to Fl98.30 after solid interims.

Profit-taking in oils saw Royal Dutch give up Fl 1.50 to Fl 255.10.

STOCKHOLM featured a drop of SKr40 to SKr270 in Sintercast which took shares *in the company,* which had developed a system for *casting car engine blocks, to less* than half of its peak on May 28; brokers said that the company was heavily weighted in one of the three Deutsche Morgan Grenfell funds which were suspended temporarily earlier this week, and that fears had arisen that the fund might now sell its holding.

The Affärsvärlden General index rose 7.7 to 2,019.3.

LISBON registered *its* second successive all-time high, taking the BVL 30 index through the 2,000 barrier to close 11.95 higher at 2,000.52.

The bourse was lifted by buying of Banco Comercial Portugues, *Portugal's* biggest private bank, up Esc37 at Esc1,867, and the retailer, Jeronimo Martins, Esc400 higher at Esc14,600.

The duo agreed to launch a jointly owned private bank which *would offer* in-store financial services to customers in *JM hypermarkets and* supermarkets.

In addition, the engineering group, Engil, leapt Esc72 or 5.2 per cent to Esc1,463 as it recovered a rise in orders from Esc75bn to Esc92.7bn at June 30 last.

MADRID's Gas Natural *took another heavy loss,* Pta1,540 down at Pta20,040 *for a two-day loss of 16.4 per* cent after modest gas price *increases suggested a* tougher regulatory stance by the government. The general index fell 12.89 to 3,953.33.

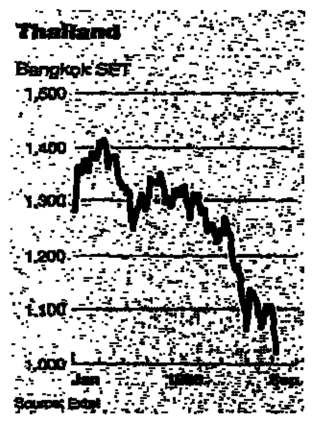
Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

ASIA PACIFIC

Default rumours push Bangkok into 2.6% slide

Rumours of financial problems among a number of brokerage and finance groups left BANGKOK at a low for the year after sharp *falls during the afternoon* session.

The SET index dropped 2.6 per cent with many finance based shares hitting 10 per cent daily limit lows. The index lost 27.06 at 1,022.68, down from 1,415 in early February, on unconfirmed rumours that up to four brokerage firms were facing problems from defaults by small investors unable to repay *maintenance margin* fees. Adkinson Securities fell Bt3 to Bt27.25.



Tokyo

Equities resumed their recovery as domestic institutions, including pension funds and state-run postal funds, bought into a broad *range of issues, writes Emiko Terazono in Tokyo.*

The Nikkei 225 average closed 177.95 higher at 20,379.82 after moving between 20,214.93 and 20,487.24. Domestic institutional targets included steels, shipbuilders and electricals, and there was active buying of speculative favourites by individual investors.

Volume totalled 343m shares against 255m. The Topix index of all first section stocks rose 16.81 or 1.1 per cent to 1,557.80 and the Nikkei 300 gained 2.63 to 289.64. Advances overwhelmed declines by 870 to 213 with 145 unchanged.

In London, the ISE/Nikkei 50 index rose 2.58 to 1,387.12.

High-technology stocks gained ground with Hitachi up Y4 to Y991, Toshiba Y3 to *Y700 and Fujitsu Y15 to* Y999. In carmakers, Honda rose Y30 to Y2,560 and Mazda Y7 to Y513.

Telecommunications stocks returned to favour after recent profit taking by overseas investors. Nippon Telegraph and Telephone rose Y16,000 to Y802,000. DDI, the long distance telecom operator gained Y22,000 to Y886,000.

Overseas investors and domestic institutions bought large capital steels and shipbuilders. Kobe Steel rose Y5 to Y290, Mitsubishi Heavy Industries Y14 to Y878, and Hitachi Zosen Y9 to Y540. Sumitomo Metal Industries, however, fell on profit taking, declining Y3 to Y311.

Among speculative favourites, TYK, the firebrick maker, rose Y150 to Y1,760, Mitsui Matsushima by Y25 to Y715 and Daido Steel Sheet by Y90 to Y1,500.

Profit taking hit some oil refiners and distributors after the rally in crude oil prices triggered by the US missile attacks against Iraq. Fuji Kosan fell Y12 to Y490 and Nippon Oil Y7 to Y672.

In Osaka, the OSE average rose 181.30 to 21,462.08 in volume of 76.8m shares. Murata Mfg, the machinery maker, was hit by reports of lower than expected interim earnings. The stock fell Y130 to *Y3,750 on foreign selling.*

Roundup

Heavy short selling left KARACHI 2.3 per cent down, a troubled economy, political unrest and the US attacks on Iraq being blamed as the KSE-100 index fell 31.98 to a new closing low for the year *of 1,354.28.*

SYDNEY closed narrowly weaker with the All Ordinaries index off 1.1 at 2,257.4 after downside pressure from index futures.

BHP and CRA fell 15 cents to A$17.08 and 5 cents to A$19.05 respectively. WMC lost 8 cents to A$8.59 after cutting its final dividend.

Boral gained 6 cents to A$3.07 in spite of reduced *earnings and a final payout* reduced from 10 to 7.5 cents a share.

TAIPEI shares rallied modestly and the weighted index ended up 76.18 points at 6,304.96. Electronics continued to draw *buying interest.* Acer was the most *actively traded stock adding* 20 cents to T$39.9 as investors warmed to the news of a $2bn contract to supply IBM. Macronix gained T$1.2 to T$35.8.

HONG KONG turned its attention back to interest rates and the Hang Seng index fell 36.44 to 11,040.51 in turnover that edged down to HK$3.5bn.

Properties were weak with *Sun Hung Kai and Cheung* Kong each 50 cents lower at HK$74.25 and HK$54. *In the* banking sector, Hang Seng Bank fell 25 cents to HK$78.25.

The Hang Seng China Enterprises Index, which tracks the Chinese H class *shares, ended* 3.79 higher at 799.33 as Salomon Brothers cut its profits forecasts on three Hong Kong-listed H shares and maintained its underperformance stance on all the H shares.

SHENZHEN's local currency A shares index plunged 15.49 or 5.3 per cent to 276.50 with mainland Chinese investors said to be diverting funds out of south *China to purchase Shanghai*-listed A shares.

The switch *came* as analysts reported that volumes of domestic A shares traded on Shenzhen during the April to August period surpassed the level seen in Shanghai for the first time in three years.

SHANGHAI's A index finished 2.606 higher at 852.083 after late profit-taking had pulled it back from 878.094.

SINGAPORE saw strength in blue chips which took the Straits Times Industrials index up 15.86 to 2,110.34.

SEOUL finished lower after a volatile session as fears of higher oil prices dampened sentiment. A day earlier the market had been supported by confirmation of *an expansion of the foreign* shareholding limit. The composite index closed 4.50 lower at a provisional 787.14.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE *International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.*

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY SEPTEMBER 4 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY SEPTEMBER 3 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (78)	203.97	0.7	193.17	140.16	157.18	171.27	0.7	4.43	202.67	191.55	139.94	156.33	170.05	212.18	179.77	183.88
Austria (24)	179.66	1.0	170.34	123.59	138.60	138.53	0.9	2.03	178.00	168.32	122.87	137.37	137.30	195.04	168.11	184.18
Belgium (27)	216.58	0.8	205.12	148.82	166.90	163.17	0.7	4.06	214.85	203.16	148.43	165.81	162.03	218.69	187.17	188.23
Brazil (28)	179.30	0.1	169.81	123.20	138.17	335.68	0.2	1.95	179.06	169.32	123.70	138.19	335.04	189.70	123.97	153.40
Canada (118)	163.27	0.2	154.62	112.19	125.82	161.96	0.2	2.21	162.97	154.10	112.58	125.76	161.63	165.12	134.14	145.86
Denmark (30)	320.17	0.8	303.22	220.00	246.73	249.41	0.7	1.84	317.47	300.20	219.32	245.00	247.59	321.04	276.89	279.36
Finland (23)	208.89	0.3	197.84	143.54	160.98	197.08	0.2	2.53	208.17	196.85	143.81	160.65	196.66	276.11	171.73	254.19
France (93)	188.81	0.7	178.82	129.74	145.50	150.51	0.7	3.23	187.42	177.22	129.47	144.63	149.41	198.39	167.70	177.00
Germany (58)	174.63	1.0	165.38	119.99	134.57	134.57	0.8	1.82	172.93	163.52	119.46	133.45	133.45	177.63	155.66	158.87
Hong Kong (58)	425.52	1.0	402.99	292.39	327.91	422.42	1.0	3.51	421.41	398.48	291.12	325.21	418.39	451.19	354.67	361.83
Indonesia (27)	191.08	1.0	180.96	131.29	147.25	274.73	1.0	1.73	189.20	178.90	130.70	146.01	272.06	–	–	–
Ireland (16)	286.81	0.1	271.63	197.08	221.02	249.11	0.2	3.50	286.62	271.03	198.01	221.19	248.58	290.82	238.42	238.42
Italy (59)	73.56	0.0	69.66	50.54	56.68	83.09	0.0	2.59	73.55	69.55	50.81	56.76	83.13	84.53	67.22	77.14
Japan (481)	142.54	0.2	134.99	97.94	109.84	97.94	–0.3	0.78	142.23	134.49	98.26	109.76	98.26	164.68	137.75	145.74
Malaysia (107)	549.72	1.3	520.62	377.73	423.63	528.69	1.2	1.71	542.75	513.22	374.95	418.85	522.35	585.09	425.77	503.47
Mexico (19)	1273.61	2.2	1206.20	875.15	981.48	10528.72	1.9	1.28	1245.73	1177.96	860.59	961.35	10331.56	1325.65	791.99	1191.74
Netherland (19)	299.66	0.9	283.82	205.92	230.94	227.36	0.8	3.26	297.04	280.88	205.21	229.23	225.81	304.24	249.34	251.22
New Zealand (15)	86.28	0.7	81.71	59.28	66.49	68.17	0.6	4.15	85.70	81.04	59.20	66.14	65.75	86.61	75.84	79.08
Norway (36)	252.90	1.9	239.51	173.78	194.89	219.80	1.5	2.06	248.20	234.70	171.47	191.54	216.47	256.94	222.24	228.53
Philippines (22)	203.36	–0.6	192.59	139.73	156.71	265.77	–0.7	0.60	204.61	193.48	141.35	157.90	267.61	–	–	–
Singapore (44)	392.90	0.5	372.10	269.97	302.78	254.86	0.5	1.50	390.95	369.68	270.08	301.71	253.69	455.21	380.49	368.08
South Africa (44)	344.86	1.3	326.61	236.97	265.76	338.14	1.4	2.25	340.31	321.79	235.10	262.62	333.60	437.78	314.20	345.75
Spain (37)	174.58	–0.6	165.34	119.96	134.54	165.84	–0.8	3.52	175.96	166.39	121.56	135.79	167.11	183.85	145.15	151.24
Sweden (48)	361.21	0.8	342.09	248.20	278.35	355.08	0.8	2.40	358.30	338.81	247.53	276.51	352.14	364.34	285.92	285.92
Switzerland (37)	246.56	0.6	233.51	169.42	190.01	184.27	0.3	1.60	245.21	231.87	169.40	189.24	183.69	254.34	201.70	201.70
Thailand (45)	138.45	–1.2	131.14	95.14	106.70	135.89	–1.2	2.51	140.11	132.49	96.80	108.13	137.61	193.95	138.48	163.54
United Kingdom (200)	245.51	0.4	232.52	168.70	189.20	232.52	0.5	4.10	244.64	231.33	169.01	188.79	231.33	247.51	220.57	221.89
USA (625)	267.22	0.1	253.07	183.61	205.92	267.22	0.1	2.21	266.86	252.34	184.36	205.94	266.86	278.47	230.24	230.24
Americas (790)	244.67	0.1	231.72	168.12	188.55	205.75	0.1	2.20	244.29	231.00	168.77	188.53	205.44	252.43	211.23	211.23
Europe (706)	213.97	0.6	202.64	147.03	164.89	183.74	0.5	3.11	212.81	201.23	147.01	164.23	182.75	216.96	191.44	191.62
Nordic (137)	313.27	0.9	296.69	215.26	241.41	268.89	0.8	2.29	310.57	293.67	214.55	239.67	266.52	315.35	261.13	273.21
Pacific Basin (878)	156.55	0.3	148.26	107.57	120.64	109.62	–0.1	1.27	156.02	147.53	107.78	120.40	109.71	177.01	148.86	156.10
Euro-Pacific (1584)	180.34	0.4	170.79	123.92	138.97	137.57	0.2	2.16	179.55	169.78	124.04	138.56	137.26	190.57	166.61	170.90
North America (743)	260.90	0.1	247.10	179.28	201.06	260.27	0.1	2.21	260.55	246.37	180.00	201.07	259.81	269.52	225.01	225.01
Europe Ex. UK (506)	192.26	0.7	182.09	132.11	148.16	158.20	0.6	2.55	191.01	180.62	131.96	147.41	156.33	195.76	170.51	171.35
Pacific Ex. Japan (397)	283.05	0.8	268.07	194.49	218.12	244.03	0.8	3.12	280.77	265.49	193.97	216.68	242.11	296.69	243.59	254.87
World Ex. US (1793)	181.97	0.5	172.34	125.04	140.23	142.39	0.2	2.17	181.14	171.28	125.14	139.79	142.02	191.55	167.36	172.02
World Ex. UK (2218)	204.85	0.3	194.01	140.76	157.86	173.01	0.2	1.99	204.21	193.10	141.07	157.59	172.72	213.05	185.61	186.70
World Ex. Japan (1937)	243.90	0.3	230.99	167.59	187.95	229.58	0.3	2.67	243.06	229.83	167.91	187.57	228.79	247.55	214.60	214.60
The World Index (2418)	208.35	0.3	197.32	143.16	160.56	178.28	0.2	2.19	207.68	196.38	143.47	160.27	177.92	214.95	188.87	189.75

Latest prices were unavailable for this edition

Banks fail to back pro-European campaign

By Gillian Tett, Peter Marsh and Robert Peston in London

Major banks declined to sign a letter to the Financial Times warning the government not to cave in to Eurosceptic pressure to rule out participation in a European single currency, it emerged yesterday.

In the letter, published yesterday, the chairmen and chief executives of 15 large companies with combined sales of £150bn ($234bn) warned that a decision now to stay outside a single currency would be "deeply damaging". However, although a number of big banking groups were asked to sign the letter, none agreed to participate.

The groups concerned – which include Barclays, HSBC Midland, NatWest, Royal Bank of Scotland and Abbey National – offered different reasons for their reluctance. Abbey National suggested the timing was unsuitable, while Midland said it disliked becoming involved in political issues, and Barclays argued that its key people were absent.

Nevertheless, the silence left some observers puzzled. Mr Michael Cassidy, chairman of the policy and resources committee for the Corporation of London – the municipal authority – said: "We are interested to find out the reasons why the banks were reluctant to become involved."

Another banking observer said: "There is suspicion that pressure is being put on the banks to keep quiet – particularly with the Target discussions at such a delicate stage." Target will link high-value national payments systems, like the UK's current Chaps or Germany's EIL-ZV systems if European monetary union starts in 1999. However, the banks were far from alone in their caution.

The car manufacturer Nissan declined to sign the letter because it was too "narrow" in its focus.

Mr Martin Coyne, chief executive of J.C.Bamford Excavators, Britain's biggest construction equipment company, said: "The letter [in yesterday's FT] was based on the false premise that if you are against a single currency you are anti-European. The people signing the letter were not representative of British industry."

Sir Stanley Kalms, chairman of Dixons, the electrical retailer, said he was "antagonistic" to a single currency. "The danger is that it would lead to a federal Europe, and a Brussels-controlled business climate."

Mr Andrew Cook, chairman of William Cook, Britain's biggest steel castings company, said: "Under current conditions, joining a single currency would be very silly. The signatories [of the letter] are not on the whole people fighting for market share across the coal face of industry."

Europa, Page 12

Islamic conference will not be banned

By James Blitz, Political Correspondent

Britain's Foreign Office said yesterday it had received complaints from four Middle East governments over its refusal to ban a conference of Islamic fundamentalists due to be held in London this weekend.

Although ministers have expressed concern about the conference, they have told Egypt, Algeria, Tunisia and Morocco that the event cannot legally be banned.

The Rally for Revival, to be held on Sunday, is being organised by a group advocating the creation of a worldwide Islamic state and the violent overthrow of the governments of every country in the Middle East.

The event, which is to be attended by 7,000 people at the London Arena, will feature videotape messages from some of the world's most notorious terrorists.

The Home Office said yesterday it had banned three people from travelling to the UK to attend the conference. These include Sheikh Mohammed Hussein Fadlallah, spiritual leader of Lebanon's Hizbollah, and Mr Osama bin Laden, a Saudi who has called for a holy war against US troops in Saudi Arabia. A third exclusion order was placed on Mr Omar Abdul Rahman even though he is in prison in the US for the bombing of the World Trade Centre in New York.

Mr Tom Sackville, Home Office minister, warned this week that the conference would be monitored and anyone inciting racial hatred would be prosecuted.

"The British government strongly condemns any support for terrorism or calls for violence of any kind," he said. "The UK is second to none in its determination to fight terrorism."

The stirring up of hatred inside Britain is illegal, but incitement to racial violence against people overseas cannot easily be prosecuted.

Factory ships' departure hits island economy

By James Buxton, Scottish Correspondent

The klondikers – factory ships from eastern Europe which bought catches of herring and mackerel – have disappeared from British waters, leaving a big hole in the income of bars and video shops in the Shetland Islands to the north of Scotland.

There might have been about 40 klondikers at this time of year processing herring in Lerwick Harbour, and as many as 90 in autumn and winter handling mackerel. But no factory ships have come this year, according to Ms Sandra Laurenson, administration manager of Lerwick Harbour Trust.

The klondikers have gone after nearly 20 years, because their Shetland operation is no longer economic, as a result of reduced fishing quotas, higher fish prices and the onset of privatisation and market forces in eastern Europe.

Sometimes as many as 7,000 people from eastern Europe – equal to the population of Lerwick – used to live for weeks on the klondiker fleet in the harbour.

Mr Drew Tulloch, a director of Hughson Brothers, one of Lerwick's main wholesalers, used to supply large quantities of vegetables, fruit, chickens and other meat to the klondikers. "But we were always aware after the Berlin Wall came down that it was a bonus that wouldn't last," he said.

Crews from the klondikers bought video recorders and televisions from stores in Lerwick, and sometimes second-hand cars. At weekends they crowded the town's bars.

But the demise of the klondiker fleet is not bad news for fishermen from Shetland and the Scottish mainland because they are now getting better prices for their fish in Norway, Denmark and from local processors.

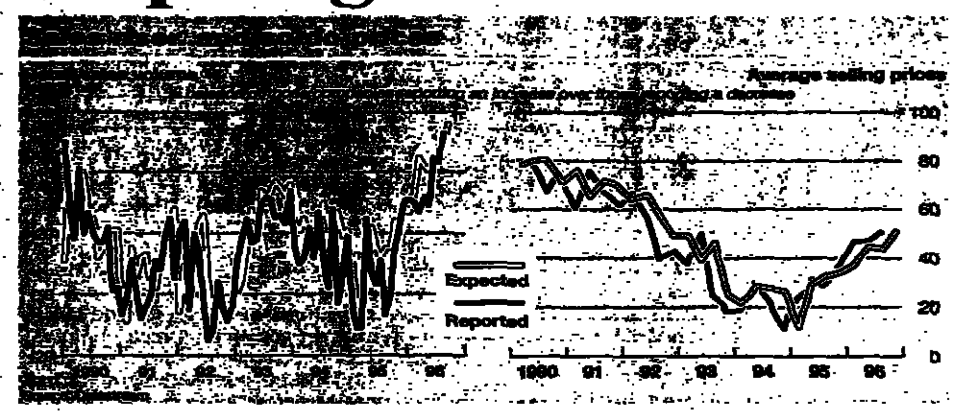
The higher price of fish, caused partly by reduced UK fishing quotas, has made herring and mackerel too expensive for the factory ships.

The klondikers' operation was becoming steadily less economic. The organisations in Russia, Poland, Bulgaria and the Baltic states which operated them had mostly been privatised and fish now have to compete with other foods in their domestic markets.

"In the old days if the government of the USSR decided to have mackerel, that's what people had to eat," said Mr Alwyn Bashford of Shetland Islands council.

Retailers report good news from the tills

By Gillian Tett and Simon London



Business conditions in shopping centres are more upbeat than at any point since the consumer boom of 1988, retailers have reported.

The surge in spending is welcome news for the government, but it may provoke concern in the Bank of England – the UK central bank – where officials fear that a sudden surge in spending could unleash inflationary pressures.

Yesterday's business survey from the Confederation of British Industry – the country's main employers' lobby – showed that retailers themselves were now reporting an acceleration in price increases.

In the CBI report two-thirds of retailers said their sales were higher than in August 1995. Only one in seven said they were lower.

This left the overall picture healthier than at any point since November 1988.

This increase in sales is already leading retailers to create more jobs: employment growth in August was at its highest level since 1989.

Retailers have also stepped up their orders – and plan to increase them further. This trend may be fuelled by the fact that the stock of goods held by shops is now lower than at any point for four years.

However, the trend also left retailers confident that they did not need to discount their goods as much as last year to attract business: more than half said prices were now higher than a year before.

The CBI yesterday shrugged off suggestions that this trend could create higher inflation. Mr Alistair Eperon, chairman of the CBI's distributive trades panel, said: "These price increases are reflecting cost increases going back some months – they are very modest."

And with manufacturing output still patchy, the CBI insisted that there was no need to raise interest levels from the current 5.75 per cent. This advice appears to have been heeded by Mr Kenneth Clarke, the chancellor of the exchequer, who did not change rates following his meeting on Wednesday with Mr Eddie George, Bank of England governor.

In the furniture and carpet sector, for example, all the retailers surveyed said that sales had improved – while most also reported that prices were increasing.

However, the one exception to the improved outlook occurred in the motor industry. Less than half of motor traders told the CBI that they had experienced an annual increase in sales in August.

Power utilities face extra competition

By Simon Holberton

Competition among electricity generators is set to intensify as the number of power stations planned for construction reaches its highest level since privatisation of the industry in 1991.

Twelve applications for gas-fired power stations have been received since March by National Grid Group, which operates the high-voltage transmission system in England and Wales. They would have an aggregate output of 6,500MW.

This fresh "dash for gas" would result in the largest single addition to the grid since privatisation, and would supply more than 10 per cent of existing capacity in England and Wales.

However, industry executives cautioned that not all applications would lead to stations being built, especially if the price of gas rises. But others said the level of applications underlined the strong interest in the UK market shown by independent generators.

Among those who have signalled their intention to build power plants are British Petroleum in partnership with Entergy, a big US utility, at Hull in north-east England, and British Energy, the nuclear utility, which wants to build a gas-fired power plant at its Heysham site in the north-west – most of this plant is planned to be commissioned in 1998 and 1999 and appears to be directed at the opening up of the household market to competition in 1998.

With the current level of overcapacity in generation of between 10,000MW and 14,000MW, industry analysts believe electricity prices could fall sharply in coming years. According to one industry observer: "With such levels of overcapacity and a diverse ownership of the plant adopting different trading strategies, this is leading us to a situation where a price war looks inevitable."

This is bad news for existing generators, especially British Energy. Its profitability is very sensitive to the wholesale price of electricity and a sharp fall in prices could push it into a loss.

Increased competition will also hit the regional electricity companies, which entered into long-term, high-priced gas contracts, with the first wave of gas-fired power stations in the early 1990s.

These contracts were based on expectations of wholesale prices in the region of 2.8 pence a KWh and above. Over the past year wholesale electricity prices have averaged about 2.3 pence.

Unions agree to discuss division of £87.5m BSkyB broadcasting revenue

Historic rugby tournament saved

By Patrick Harverson and Raymond Snoddy in London

The Five Nations rugby union championship, the sport's oldest tournament, was saved yesterday when the English Rugby Football Union reached an agreement over the sharing of television revenues with its Scottish, Welsh and Irish counterparts.

The deal was reached at secret late-night talks at the headquarters of the International Rugby Football Board on Wednesday.

It means England, ejected from the championship in May when it unilaterally signed an £87.5m ($136.50m) deal with the BSkyB satellite television network, will be allowed back into the competition that has seen the five countries play each other annually since 1883. Mr Rupert Murdoch's News Corporation is the biggest stakeholder in BSkyB.

The settlement raised hopes that the separate row between the top 24 English clubs and the RFU over television money – which led to the clubs breaking away from the RFU last week and English international players boycotting a training session this week – would also be settled.

"Resolving the Five Nations issue must help in the jigsaw of problems that we face," said Mr Tony Hallett, secretary of the RFU.

Lawrence Dallaglio, one of the England players who stayed away from training on Wednesday in support of the clubs' demand for a bigger share of the RFU's television revenues, agreed the pressure would intensify on the clubs and the RFU to reach an accord. "England players need to start preparing for the test against Italy in November," he said.

The four UK unions refused to say how the deal was struck. It appears that while England is to be allowed back into the Five Nations, the details, and in particular the financial details, will have to be worked out later.

The RFU's deal with British Sky Broadcasting is legally binding, and it may now have to make part of its £87.5m "voluntarily" available to the Irish, Welsh and Scottish unions, which were offered lower sums by BSkyB. There is likely to be a further process of evaluation of who should get what, perhaps conducted by an impartial figure appointed by the four unions.

Whatever happens, BSkyB plans to show all Twickenham games live, including more frequent visits by the top southern hemisphere teams such as South Africa, Australia and New Zealand. Other Five Nations matches might be shown live on terrestrial television, or at least close to live.

Considerable pressure from the clubs is believed to have been the catalyst for putting the Five Nations championship back together again.

Minister wins defence housing battle

Nomura-led consortium overcomes opposition to sale of military homes

The selection of a consortium led by Nomura, the Japanese securities house, as preferred purchaser for 55,000 homes owned by the British defence ministry is the final stage of a controversial privatisation.

Mr Michael Portillo, the defence secretary, has battled hard to quell a revolt by Conservative backbench MPs opposed to the sale of the homes, which are occupied by the families of military personnel.

In July Mr Portillo narrowly averted a House of Commons defeat by offering last-minute concessions to his opponents in the form of extra conditions on the prospective buyer and promising that £100m ($156m) from the sale proceeds would be used to upgrade the estate.

MPs in the governing Conservative party voiced continuing concerns over the deal when it was announced on Tuesday. Mr Cyril Townsend said: "I still strongly disapprove of the arrangements for the sale. Service families are by no means satisfied."

There was also opposition from organisations representing veterans of second world war campaigns in the Far East. Mr Arthur Titherington, secretary of the Japanese Labour Camp Survivors Association said: "I am almost speechless. It seems to me at times that certain senior members of the government have no feelings about the past. The Japanese are succeeding to do with money what they failed to do with arms."

But among rival bidders for the £1.6bn privatisation there was no surprise that the Nomura-led group, known as Annington Homes, had won.

Nomura's principal finance unit, led by Mr Guy Hands, has developed a formidable reputation in London for aggressive and innovative financing.

Mr Hands joined the company in 1994 from Goldman Sachs, the US investment bank, where he was head of securitisation, a financing technique which involves repackaging cashflows in the form of tradable securities.

The principal finance unit specialises in using Nomura's own balance sheet to invest in deals where it can see the prospect of very high returns.

The acquisition of the military homes is also likely to be refinanced in the capital markets. A long-dated securitised bond issue of up to £1bn – backed by rent paid by the defence ministry to the Nomura consortium – is widely anticipated in the sterling bond market.

While there is no doubt that Nomura provided much of the drive behind the bid for the military homes, it also gathered a formidable set of partners. The Abbey National bank and Royal Bank of Scotland will provide loans to fund the initial acquisition of the estate.

Amec, the construction and engineering group, will provide housing management and property development skills. This will be required to manage surplus homes which the ministry no longer requires.

Hambros, the merchant bank which has been an adviser on many other government privatisations, is another important member of the consortium.

Annington's chairman, Sir Thomas Macpherson, has impeccable military and commercial credentials. He fought in the second world war with the French and Italian resistance movements and went on to become a director of Allstate Reinsurance and Scottish Mutual.

Concerns among military personnel that their homes are being sold to reckless property developers are therefore unjustified. Service families' homes will continue to be managed by the Defence Housing Executive.

Profits are more likely to arise by taking homes which are surplus to ministry requirements – 2,500 will be handed over initially, with more released later – and either selling them or letting them to civilians in the open market. Annington Homes could well become one of the UK's largest private sector residential landlords.

Simon London
David Wighton

For hospital managers, contractors and lenders, negotiating new projects under the British government's private finance initiative in the health sector has been like navigating an uncharted river. No sooner is one obstacle dealt with than a bigger one appears, Mark Suzman writes.

The private finance programme is intended to secure from private companies the design, building, finance and operation of non-clinical functions in new hospitals needed by the state health service. The latest obstacle to hit the troubled programme is the issue of affordability.

Analysts warn that as many as 10 of the 24 projects worth more than £20m ($31.20m) each already with preferred bidders from the private sector could suffer from a "funding gap". In other words the trusts which run the hospitals are unable to pay for units which meet the specifications they initially requested.

Six projects have received Treasury approval over the past year but a series of sticking points – ranging from whether contractors would assume risk for patient usage of facilities, to whether the government would honour the liabilities of trusts which might go bankrupt – has meant that not a single contract has been signed.

Contractors are becoming frustrated. "It's been longer, more expensive and more difficult than we expected," said Mr Mike Laycock, chairman of Taylor Woodrow Construction, preferred bidder on four schemes worth £220m in total. "There's a good argument that the government should put in some more money to ease the problem."

Berlusconi appeals against office raid

By John Mason, Law Courts Correspondent

A member of the Palestine Liberation Organisation was possibly involved in the alleged fraud and bribery scandal surrounding former Italian prime minister Mr Silvio Berlusconi, the High Court in London heard yesterday.

The claim by Italian investigators was revealed by lawyers acting for Fininvest, the media business empire controlled by Mr Berlusconi. However, the PLO member was not identified or details of his alleged involvement given.

The Italian authorities allege Mr Berlusconi faked the Fininvest balance sheets and made illegal payments to politicians. Both Fininvest and Mr Berlusconi deny any wrongdoing.

Mr Berlusconi and his company were trying to have the court declare illegal the seizure from UK addresses of thousands of documents relating to their business activities. The 15 sacks of documents were seized in April this year in raids by the UK Serious Fraud Office acting on behalf of the Italian authorities.

Mr Berlusconi's challenge has meant the documents have remained in the UK since then rather than be passed to the Italian investigators.

Miss Clare Montgomery QC, the lawyer acting for Fininvest, claimed the UK Home Office and SFO should not have co-operated with the Italian authorities since the alleged offences were political in nature.

The Home Office denied the claim. Making illegal payments to politicians in return for favours was not a "political offence", it argued.

The hearing was adjourned after lawyers for both sides agreed insufficient court time was available. The hearing will be restarted on October 2.

UK NEWS DIGEST

Rechem cleared for BSE work

The Environment Agency – the government's pollution watchdog – yesterday gave Rechem, the hazardous waste incineration company, permission to burn meat and bone meal arising from the government's controversial BSE cull. This makes Rechem eligible to seek government contracts for the incineration of remains of cows culled as part of the drive to stamp out mad cow disease.

The government is looking for extra capacity to burn meat and bone meal to complement the capacity of incinerators that are specially licensed to burn animal waste. But the authorisation granted to Rechem is likely to trigger protests from environmental groups, which want only incinerators specialising in animal waste to do the work.

The Environment Agency said that such companies would not handle meat and bone meal from cows diagnosed as suffering from BSE. This would be handled only by incinerators already licensed to burn animal waste.

Leyla Boulton

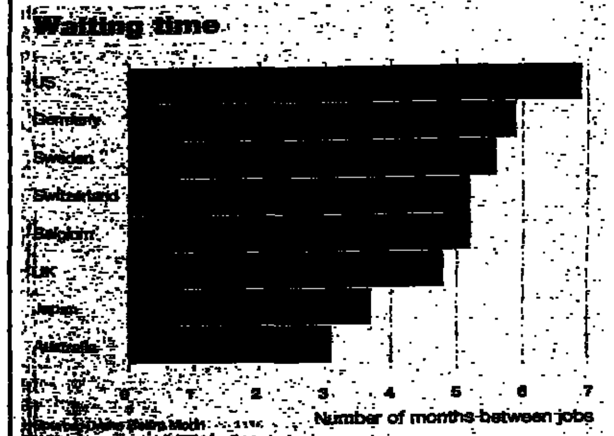
■ MAIL STRIKE

Post Office monopoly restored

After a month's suspension Mr Ian Lang, trade and industry secretary, yesterday restored the Post Office's monopoly rights to deliver mail even though its dispute with the postal workers union over pay and productivity remains unresolved. But he emphasised that, if further strikes disrupt postal services, he intended to suspend the monopoly again and allow private carriers to compete for another three months.

Alan Pike

■ EMPLOYMENT



'Redundancy longer in US'

British executives can be more hopeful about career prospects than many of their international counterparts, according to Drake Beam Morin, the outplacement consultancy. Its international survey of executives made redundant showed Britons took well under five months to get back into an appropriate job in 1995, but US executives took almost seven months. Japan and Germany also showed reduced periods for redundant executives to find another post.

Andrew Bolger

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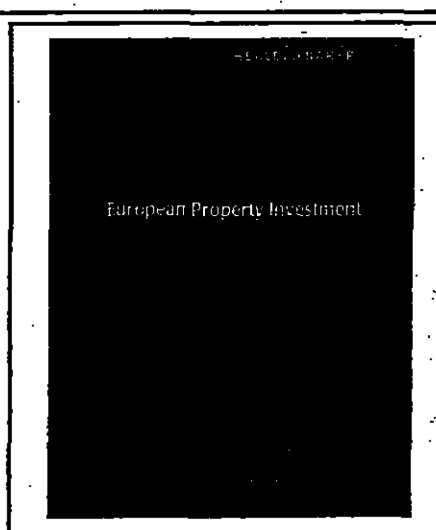

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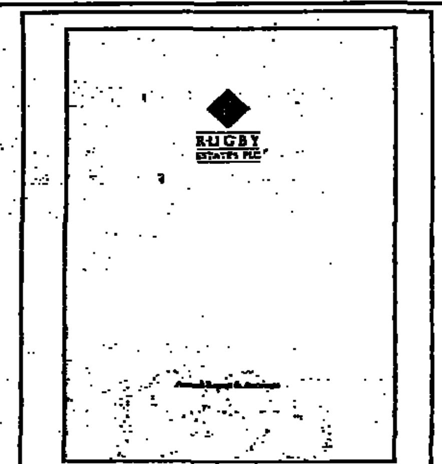

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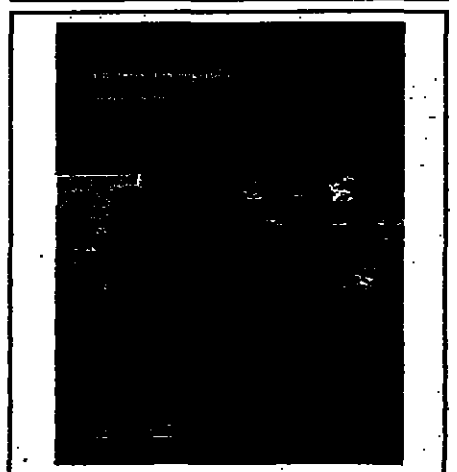

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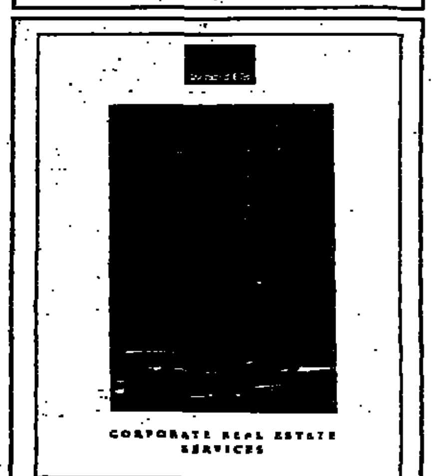

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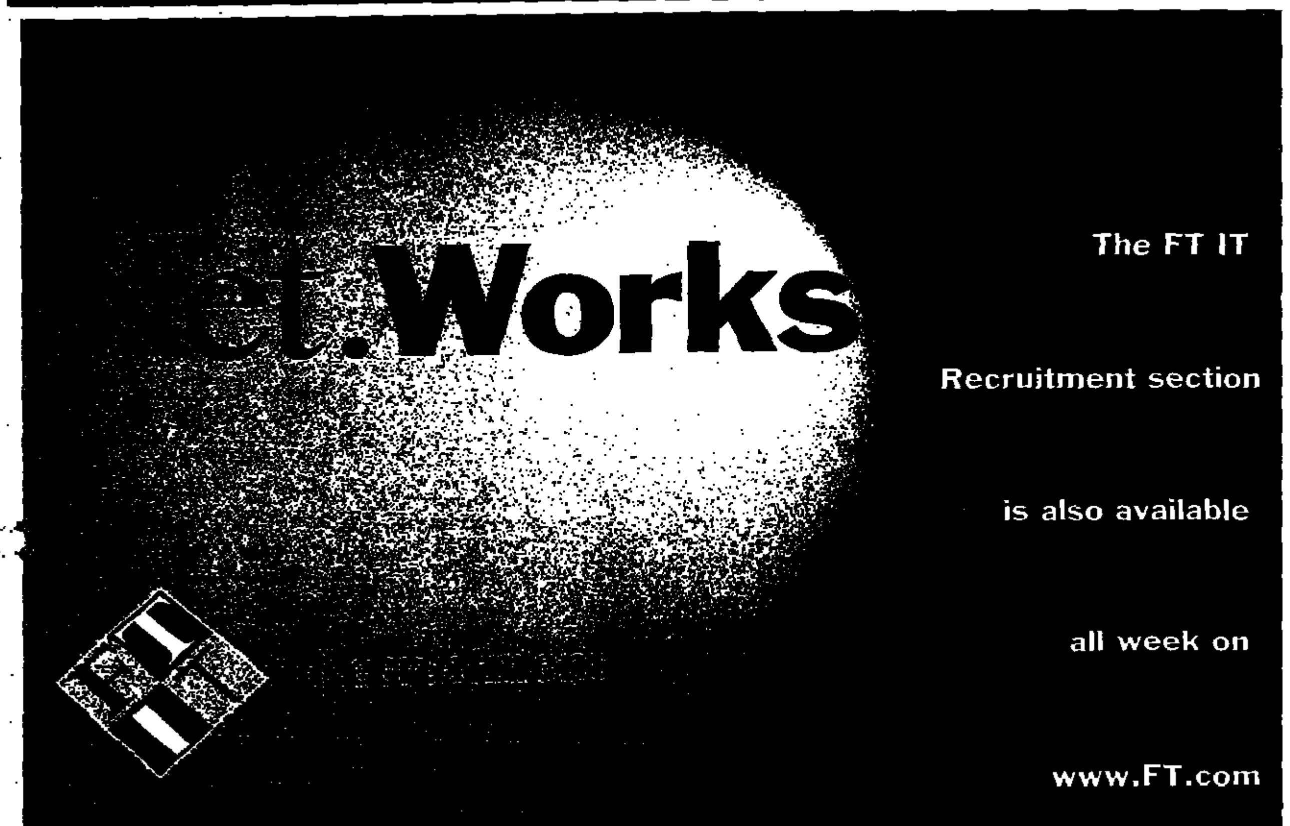

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MANAGEMENT

Biting the bullet

Russian companies must recognise shareholder rights if they are to thrive, says John Thornhill

When Boris Jordan, an American banker investing in Russia, was temporarily stripped of his visa in June, a shudder ran through the foreign investment community in Moscow.

Jordan had been battling to exercise the rights of a shareholder group which owned 44 per cent of Novolipetsk Metallurgical Kombinat, a metals producer. The suspicion was that the shareholder battle and the decision to bar Jordan from the country were connected, although this has not been conclusively proved.

Scarcely a day passes without newspapers in Russia reporting a fresh conflict between a company's managers and its shareholders as the country collectively works out what the concepts of ownership rights and management obligations really mean.

The struggle has reached a critical stage as Russian and foreign investors try to piece together coherent companies following the mass-privatisation programme, which tipped more than 120,000 enterprises into the malformed private sector.

"There is a battle for control of assets being waged between property owners, shareholders and company managers," says Yevgeny Yasin, the economics minister. "This is one of the most important processes under way in Russia."

Jordan, who heads Renaissance Capital, a Moscow-based investment bank, says Russia has a wonderful opportunity to attract more foreign investment following President Boris Yeltsin's resounding re-election. But he believes it will only happen on a large scale if Russia develops the legal mechanisms and the political will to defend property rights.

"With these elections Russia has bought itself a ticket to the global race for capital. But the question now is whether that ticket will be used or thrown into the garbage can," says Jordan, who was permitted back into the country last month. "Investors must be sure they own what they buy. Corporate managers have to understand that they are no longer owners but employees."

The scale of the task is highlighted in a study of Russia's privatised companies commissioned by the Federal Securities Commission, the industry regulator.

The report's chief finding is that 65 per cent of Russian companies are now owned by insiders, defined as rank-and-file workers and managers, who are frequently impervious to change. Invariably, the workers are passive shareholders with little understanding of their theoretical rights and almost no representation on company boards.

Ownership by outside shareholders is also relatively small and fragmented and, if anything, on the decline. Only 17 per cent of companies are majority-owned by outside shareholders, who struggle to influence the way the enterprise is run.

Real corporate power has passed into the hands of industrial managers who operate with few checks. Some of them are energetically restructuring their businesses for the benefit of all shareholders. But many others seem more inclined to entrench control and divert their company's cashflow into their own pockets rather than into investment projects or dividends.

The architects of privatisation concede there was much inefficiency and unfairness in the original distribution of privatised assets, given the vast scale of the undertaking and the destruction of any sense of ownership after 74 years of communism.

But they believe the most effective means of ensuring assets are not squandered and that companies are run soundly is competition, which will encourage the open and energetic while hobbling the lethargic and corrupt.

Maxim Boiko, the former head of the Russian Privatisation Centre, an advisory body, says further liberalisation of the economy will spur companies into restructuring their operations and raising outside capital.

"The most important thing the government can do to promote competition is to keep import barriers low. As long as Russia remains an open economy that will put sufficient pressure on domestic industry to restructure," he says.

The evolution of powerful Russian investment banks which have the money and the power to force through company restructurings, increased competition from a new generation of private businesses, and the lure of the capital markets which reward transparent management should also propel privatised companies in the right direction.

But many observers doubt that competition alone will turn the situation around quickly enough and are urging the government to take further measures to entrench shareholder rights more effectively.

The Federal Securities Commission is trying to push through a series of laws and presidential decrees defining shareholder rights and making abuses illegal. It is also encouraging investors to fight for their rights in the courts rather than complain to government officials.

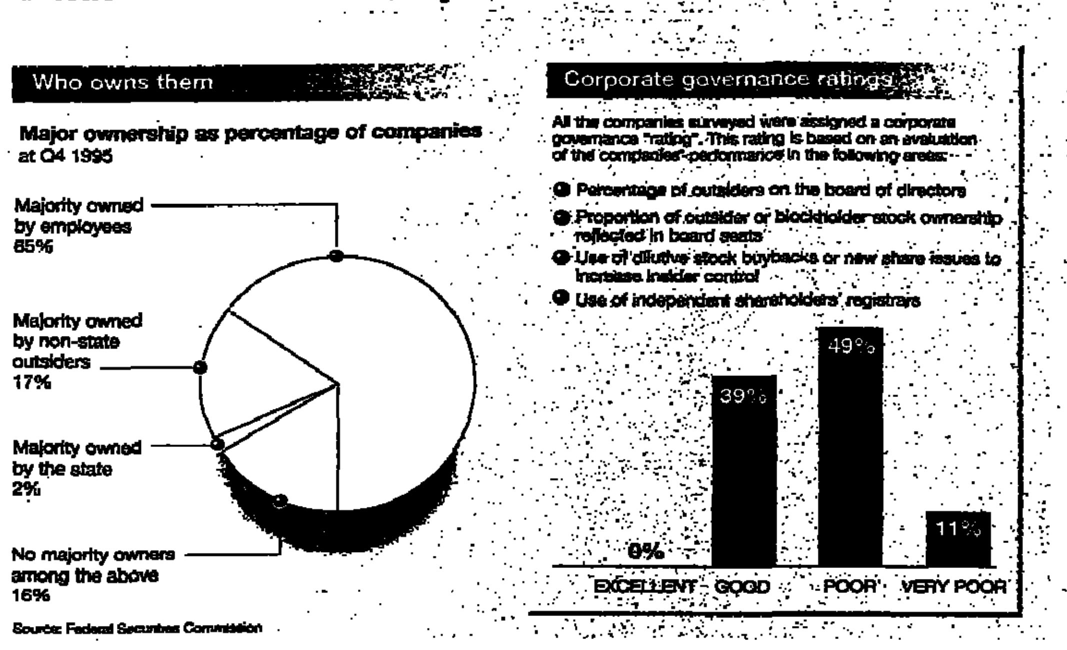
There have been some successes. In a high-profile confrontation, Oneximbank, one of Russia's most aggressive commercial banks, successfully asserted its rights as a 38 per cent shareholder in Norilsk Nickel, the world's biggest nickel producer, and replaced an obstructive management.

The outcome was far from certain because the management put up a fierce struggle. But Oneximbank is a particularly well-connected bank which can call on more political muscle than most shareholders.

Other investors are unlikely to risk substantial amounts of money until they know they can defend their rights in the courts without recourse to ministerial intervention.

"The principal issue is that the rules of the game must shift to reward equity more than thievery," says one Moscow-based investor. "That could be a long and arduous fight."

Inside Russia's new companies



Source: Federal Securities Commission

The pitfalls of an overseas posting

Expatriate managers should get a written promise of a job when they return, says Tony Jackson

Readers of the US business press these days might have noticed a curious paradox. Fairly regularly, articles appear on the topic of overseas postings for managers. Each time, the tone is not of encouragement but of warning.

Go abroad if you must, runs the argument. It may not harm your career, and might even help it. But go for a year, or at most two. Stay closely in touch with office politics while you are away. Above all, get a written promise that there is a job waiting on your return.

This seems clearly at odds with the fact that business is becoming steadily more global. It is also hard to reconcile with the fact that expatriate managers are rapidly growing in numbers, and therefore ought to be increasingly in demand.

There is a further paradox. According to a survey by the Conference Board*, a New York-based business organisation, only 38 per cent of US companies give expatriates a written guarantee of a job when they return. Those who do come back subsequently quit their jobs at twice the average rate. But a clear majority of companies worldwide report that expatriate managers cost at least three times their domestic salary.

In other words, companies know they must increase their international expertise, and spend heavily on it; but they are not capitalising on the results. Somehow or other, expatriate managers have become a problem.

In the old days, it was different. Working as an expatriate manager was often a permanent career, from which people returned only to retire.

Now, the pace of change means expatriate postings will last four or five years at most. At the same time, the trend to globalisation is running counter to that of restructuring and downsizing. Companies are expanding their numbers abroad, and cutting at home. More and more expatriate managers are competing for fewer and fewer jobs on their return.

Part of the problem also seems to result from inexperience on the part of both employers and employees, and can be tackled accordingly. In particular, the survey makes clear, expatriate managers regularly go abroad with an exaggerated idea of their prospects on return.

In reality, most of those who come back to the same employer find they have moved sideways at best. Most feel they have dropped out of sight while they were away, and that their international expertise is

Managers may see an international posting as a one-way ticket to oblivion

disregarded on their return. They miss the expatriate's typically higher standard of living, and the sense of importance which comes with running one's own operation abroad. In family terms, they find returning much more traumatic than going away.

Much of this is simply a fact of life. One obvious answer is for companies to be more candid with managers about the risk of going abroad. Another is to give more thought to the manager's future while he or she is away. Too often, the survey suggests, the job of handling expatriates is given to the personnel department; and nearly always, these are people who have never worked abroad themselves.

The better approach is for line managers to take direct responsibility for expatriates: ideally, in the formal role of mentor or sponsor. To the extent that this involves senior managers in yet more work, it may be resisted. For companies serious about globalisation, there may be no choice.

The survey reproduces guidelines for expatriates and their mentors laid down by 3M, the Minneapolis-based manufacturer. Both parties must hold regular talks before the expatriate leaves, while he or she is away and on return. At the Swiss drug company Ciba-Geigy, plans are under discussion to evaluate mentors' performance as part of their wage package.

Two broad conclusions suggest themselves. First, the problem of the expatriate manager is likely to become steadily more acute. Second, it is one which companies will ultimately be forced to address.

Some companies would dispute the first point. Over time, they say, they will reduce their expatriate workforce by substituting cheaper local talent. But that is only feasible where the company has built up expertise in the region and the market is sufficiently developed. The snag is that the main push to globalisation at present comes from new markets like China or eastern Europe, where local talent is still in short supply.

As for the second point, the survey offers good evidence that for a truly global company, such as Shell – which laid down its policies for expatriates 20 years ago, the problem of the expatriate manager has been solved. Indeed, it suggests, internationalism is so ingrained in Shell managers that returning home is often just one more global assignment.

In many other companies, the dominant theme of the returning expatriate is failed expectations: or more bluntly, broken promises. If this persists, managers will come to see an international posting as a one-way ticket to oblivion. In a world where international expertise is at an ever-increasing premium, that is not a risk which companies can afford.

* *Managing Expatriates' Return: The Conference Board, 845 Third Ave, New York, NY 10022.*

THE PROPERTY MARKET

A nowhere man arrives

Dieter Bock talks to Simon London about his career

When Mr Dieter Bock arrived on the UK corporate scene four years ago, he was variously described as mysterious, unknown and "the man who came from nowhere".

But while the UK business establishment was taken off guard by his acquisition of a 19 per cent stake in Lonrho, the hotels to mining conglomerate where he is now chief executive, Mr Bock was a familiar figure on the German property scene.

Advanta Management, the company he created and still controls, was one of Germany's biggest property developers in the 1980s. Until recently it also owned 50 per cent of the Kempinski luxury hotel chain and 10 per cent of Philip Holzmann, the construction group.

Neither was Mr Bock unknown to the top managers of UK property companies. In 1991 and 1992, when the market was in free fall, he was one of a handful of overseas investors in London with the aim of buying a distressed company.

This select group also included Hongkong Land, the Keswick family-controlled company which looked at buying a number of property companies before chosing Trafalgar House, another conglomerate.

Bock remains tight-lipped about which property companies he approached before deciding to take on Lonrho.

"Some of the people concerned are still around. It would be wrong of me to say," he says.

However, while the Keswick's involvement with Trafalgar House proved ill-starred – the UK company has since been acquired by Kvaerner of Norway – Mr Bock's investment in Lonrho proved more successful.

His Lonrho shares, acquired at prices of 85p and 115p, today have a market value of 177p.

Like Mr Godfrey Bradman, the UK developer, Mr Bock's initial business career was in tax planning rather than property development.

After training as a lawyer and an accountant, he set up a tax consulting practice in Munich in the early 1970s. Property development was initially a means of sourcing tax-efficient investments in which his private clients could participate.

The relationship between tax and property has always been unusually close in Germany. Private investors can benefit from generous depreciation allowances by investing in property. New development offers the best tax breaks of all, so this is where Mr Bock concentrated his efforts.

The most obvious recent use of tax breaks to encourage development is in eastern Germany, where the federal government granted high depreciation allowances on new buildings.

This has led to severe overbuilding in cities such as Berlin where demand for commercial space has not kept pace with tax-driven supply. Rents and values are falling in many cities.

Advanta itself has participated in the reconstruction of eastern Germany with projects in Berlin and Dresden. One of Bock's proudest achievements is the restoration of the ruined Taschenberg Palace in Dresden which has been turned from a ruined shell into a smart Kempinski hotel.

He believes that Advanta has managed to steer clear of the losses now faced by other investors by concentrating on the fundamentals.

"It is true that too many developers were looking only at the tax. They forgot about location. We did not," he says.

Advanta Management was formed in the mid-1980s as an umbrella company for Mr Bock's property projects.

Advanta has never been very large in terms of net assets, mainly because it has realised development profits rather than retaining buildings to create an investment portfolio.

This financial style is partly dictated by Advanta's status as a private company.

"In the UK you can refinance a property company by asking the shareholders for a rights issue. In Germany this is not possible. We have to manage our capital more carefully," he says.

But while Advanta never had a large balance sheet, throughout the late 1980s it generated a stream of development profits.

When the Lonrho deal was struck Mr Bock said that his German property interests would be sold within two to three years to avoid any possible conflicts of interest.

Although the Kempinski and Holzmann stakes have since been sold, Mr Bock's controlling interest in Advanta Management remains undiminished.

This reluctance to sell is partly due to the poor state of the German property market. Like any experienced property investor, he is loathe to sell at the wrong point in the cycle.

"The German market will take two to three years to recover. Outside of the east there is not too much development but neither is there much demand," he observes.

Over the past four years Advanta has reduced its exposure to the German market. Today it is acting on only a handful of developments, in some cases acting as a project manager for other investors.

But Advanta has not been idle since Mr Bock took up the challenge of Lonrho. In 1994 Mr Bock acquired a 50 per cent stake in Number 1 Poultry, one of the first speculative City of London developments following the property crash of the early 1990s.

The location – on a corner site close to the Bank of England – is one of the best in the City and underlines his belief in location.

"Everything people say about the importance of location is true. Your returns may not be as high [as in secondary locations] to start with but they will be less volatile and in the long-run they will be better," he says.

Advanta and its development partner – Lord Palumbo, former chairman of the Arts Council – also appear to have got their timing right. Modern space in the City is now in relatively short supply and top rents are on an upward trend.

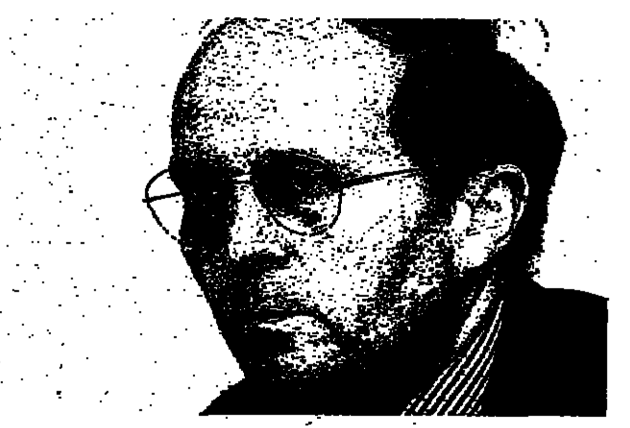
The acid test will come when the building is completed next spring.

Advanta has released part of its equity investment in Number 1 Poultry through a debt refinancing arranged by Eurohypo, the mortgage arm of Deutsche Bank.

Mr Bock is keen to reinvest the proceeds in another London development site, partly to keep Advanta's UK management team together.

It seems unlikely, however, that Advanta will become a significant force in the UK property market. Mr Bock is at his most animated when describing the "great potential" of Lonrho's African trading businesses which now absorb most of his energies.

The logical outcome for Advanta would be a joint venture with a UK property company eager to find a new source of development finance and with long-term ambitions in Germany. This is a solution which Mr Bock does not rule out.



Trevor Humphries

Dieter Bock: familiar figure on German property scene

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ARTS

Theatre

Slick Japanese dream

Alastair Macaulay on a visually striking staging

Most British stagings of *A Midsummer Night's Dream* are not nearly good enough, but at least they are in English. Yukio Ninagawa's staging – which Thelma Holt, that indefatigable Ninagawaphile, and Point Tokyo Co. have *brought to the Mermaid* Theatre – is sometimes tolerable, but it is in Japanese.

I have seen Shakespeare in Russian, Swedish, German, and French, sometimes (as here) without simultaneous translation, and I have watched some of them with real gratitude for the new light cast by the un-British style of performance. I have, moreover, enjoyed a Russian *Dream* that took far greater liberties with Shakespeare's text than this one. But Ninagawa's kind of Japanese theatre is almost devoid of spontaneity or lyricism.

Like most directors these days, the most striking features Ninagawa brings to Shakespeare are visual, and not drawn from the play. Adrian Noble (whose RSC *hit version returns to the* Barbican next week) has lightbulbs; Ninagawa has white sand, falling – as in an hourglass – in five streams on to the stage, and odd shows of red poppies too. Bottom is first seen cooking on a Wok. The fairies rise on to the stage through trap-doors. Puck does rows of acrobatic jumps, and high kicks; he also gets to have a brief pas de deux with a fairy boyfriend.

Nothing here is as vulgar as the average British *Dream*. When Bottom is translated into an ass, a big knockabout set-piece ensues in slow motion, with much mugging at the audience – but with no unusually crass effects, and with a couple of really good movement jokes. True, as Titania/Hippolyta, Kayoko Shiraishi gives a peculiarly drag-queen performance, harsh and externalised and calculated. She is actually less feminine than the amusingly *omnagata*, Thisbe of Hatsun Yamaya.

Helena is the usual brash hoyden, but Hermia and Lysander are played with touchingly teenage purity. A few features of the Pyramus-Thisbe play, such as Peter Quince's narration and Thisbe's grief, are charming; and as far as un-Shakespearian jokes go, Quince's singing of the theme music from *Love Story during Pyramus* and Thisbe's first encounter is a neat stroke. Puck's couplet "I am sent with broom before, To sweep the dust behind the door" gives Ninagawa an inch that he takes a mile.

Too much here is too slick. Ryudo Uzaki's music, arranged here on synthesiser, has one kind of Westernised patness, and the fairy choreography by Kiyomi Maeda and Suketaro Hanayagi has another. And, to these oriental ears, most of the actors speak Japanese as if it were a form of barking. When Titania is telling Bottom "I pray thee, gentle mortal, sing again/ Mine ear is much enamoured of thy note", she sounds like a Pomeranian who has been stung by a wasp.

The Mermaid Theatre, EC4

Tetsuro Sagaura as Oberon and Kayoko Shiraishi as Titania — Douglas H. Jeffery

Search for lottery fund guinea pigs

The new Arts Council grant scheme is being launched with care, says Antony Thorncroft

No, it will not wipe clean your debts, or dispose of your dead wood with vast redundancy payments, or give you a substantial endowment. The Arts Council's awkwardly named stabilisation programme, announced this week, and widely expected to solve the financial problems of the nation's arts companies with lottery money, is emerging as an ill-defined beast.

Even Mary Allen, secretary-general of the Arts Council of England, admitted she was on a sharp learning curve. The stabilisation scheme has been borrowed from the US, where it is reckoned to have been successful in keeping the arts afloat in a hostile funding climate. It basically involves consultants giving a company a going-over and working out a plan for its survival. Its most eye-catching characteristic is the paying-off of deficits, wiping the financial slate clean ready for the relaunch.

The Arts Council is feeling its way, seeking 15 companies to act as guinea pigs in a pilot scheme, funded with up to £7m of the £250m that the Arts Council will receive from the lottery this year.

Successful applicants for the pilot scheme will be examined by the consultants Coopers & Lybrand, and if their plans for artistic renewal look promising they will get the money they need in the summer of next year. And if the pilot scheme works well then an unspecified amount of lottery money, perhaps £30m, will go towards an expanded scheme in 1998.

The ideal applicant is a well-run arts company that could do much better, presenting more ambitious work, if it could solve once and for all the nagging deficit which forces it to play safe in its programming. The perfect candidate, and one that might well be included in the pilot, is West Yorkshire Playhouse, highly regarded but still lumbered with debts from its pre-lottery building programme. These cost it £200,000 a year to service, money which could be better spent on more ambitious, and popular, productions.

Other obvious contenders are musical groups, which, with less need for capital development, are ineligible for traditional lottery cash.

Lottery money might change everything for everyone, but the next few years could be tough

and theatres like the one at Richmond in south-west London, which rebuilt themselves, at great cost, just before the lottery came on stream.

Companies seeking help must be financially sound and have convincing plans for their future. Perhaps the problem is that its audience base is getting old (are we talking orchestras here?). The money could be used to re-present their activities to reach a younger crowd. Perhaps an art gallery is in the wrong location – the stabilisation fund could help its removal. Perhaps a merger will solve problems, or an investment in new technology, or improved management skills. The idea is a one-off injection of cash, which will enable good, but restricted, arts organisations, to take a leap towards stability and expansion.

It all seems wonderful, but there are problems. For a start, any arts organisation which has already received lottery money for a capital project is ineligible. If your application is with the Arts Council but has yet to be determined you can quickly withdraw it and go for stabilisation cash.

There are other restraints. An arts company must have been going for five years, have a turnover of £250,000, and an audience of 25,000 a year, although there is scope for smaller organisations to club together. In addition, although you do not need to produce partnership funding, you must be able to ensure four years of future funding from your regular paymasters, or guarantee a commitment in kind.

"I do not expect the stabilisation fund to be used to pay off debts. This could happen, but seldom," says Mary Allen. She is presenting the programme in a more positive way, as a means of relieving the current crisis facing the arts which stems from cuts in the annual government grant to the Arts Council. In time, lottery money might change everything for everyone, but the next few years could be tough.

If the stabilisation fund is not the long-desired switch of lottery money from capital expenditure to revenue funding it is another sign that the Arts Council is being as flexible as possible within the current restraints. In the near future it will announce plans for widening access, giving companies money to expand their audiences to take in the young and the elderly and the ignored, plus a widening in its commissioning policy, which will put money into the hands of artists. Much has been achieved with the lottery in 18 months and the arts should be truly grateful.

Sexy Lulu conquers new territory

Richard Fairman enjoys the cultural capital's big arts event

Flying out of Edinburgh and into Copenhagen last week was to swop one festival city for another. The only difference is that Copenhagen is enjoying a year-round festival as cultural capital of Europe for 1996 and its programme of *events, which must be one of* the most energetic so far, is only now approaching its climax.

Late summer in Copenhagen means sun and cool breezes with the Northern sunsets starting to draw in (strange to think that this part of Denmark lies on nearly the same degree of latitude as Edinburgh). So it was ideal weather for the outdoor athletics and firework display that were going on close to midnight, as the audience came out for the big arts event of cultural capital year – the first Scandinavian production of Berg's completed *Lulu*.

This project was the eye-catching promotion of the Danish National Radio Symphony Orchestra. Together with the Danish Royal Ballet, the orchestra sees itself as Denmark's prime cultural export. It made its first inter*national visit after the war* to the Edinburgh Festival and this autumn will be carrying the cultural capital banner overseas for a UK tour *that takes in Birming*ham, Leicester, Leeds, Nottingham and London's Barbican Hall, with Joshua Bell as soloist.

At home, however, this *Lulu* marked the high-point of its year. Put on an opera with enough razzle in advance and it is possible to work up quite a head of public enthusiasm, even for a composer as difficult as Berg. The orchestra picked for its venue the newly-re*stored riding school in Chris*tiansborg Palace and plastered Copenhagen with posters showing a tight clench of writhing, naked bodies. That sold out all eight performances.

As long as the audience was not expecting an orgy *on the lines of the publicity* photo, this was a sexy *Lulu* – more so, certainly, than the recent Glyndebourne production. Where that *showed Lulu as an everyday* girl, a real plain Jane, this one went to the other extreme and made her the ultimate feminine icon in a *surreal world, where nothing* was as it seemed.

The producer, Travis Preston, projected titles for each scene on to a large frame *around the stage* ("Venus in Furs or The Cuckold's Nightmare" it said for one) and kept as much of the action as he could at one remove, *as theatre-within-a-theatre* or film.

As an interpretation of Berg's opera this was decidedly over-coloured, but there were some strong theatrical touches. At the end, when Lulu has become a prostitute, she entertained her clients in an *abandoned* car and her death at the hands of Jack the Ripper ended with her face pressed in a silent scream against the *windscreen*.

Parading in a variety of costumes, from Spanish bullfighter's *to minks and furs*, and sportingly for a few minutes in her birthday suit, Constance Hauman proved game for anything as an *attractively sylph-like Lulu*. Julia Juon was a strong, but not magnetic Countess Geschwitz; Monte Jaffe and Peter Straka were true to the *characters of Dr* Schön and his son Alwa, and Theo Adam (once a notable Schön himself) has moved on to play a subtle Schigolch. All round, the cast was less impressive than Glyndebourne's, but the production allowed them to make a greater impact.

It also helped that Ulf Schirmer and the Danish National Radio Symphony Orchestra managed to keep *the accompaniment down so* honourably, even in the open acoustic of the riding-school. As a result, the climaxes, when he did give the *orchestra its head, sounded* enormous, the succession of violent deaths being hammered home in a massive crescendo. *Lulu* has con*quered new territory*.

The novelty of that event rather overshadowed the opening of the season at the Royal Danish Opera. To catch the mood of cultural capital year the company opened with Nielsen's *Maskarade*, which is the national opera in Denmark, an immensely popular piece guaranteed to bring a warm feeling to every Danish tummy.

The music itself is pure delight, tuneful, lively, always ready to set one's *toes tapping, and the orches*tra under Paavo Berglund's watchful eye played as if it knows the opera backwards, as it must. The company *singers, including the young* bass Stephen Milling (remembered from the Cardiff Singer of the World a couple of years back) were *acceptable enough*. The problem was the production, which contented itself with the sort of toe-curling quaintness that does not *travel well. As one unfunny* bit of business followed another, I wanted to pick up the show and give it a good shake. Now I know what a Danish visitor feels like at the Last Night of the Proms.

Monte Jaffe as Dr Schön and Constance Hauman as Lulu

INTERNATIONAL ARTS GUIDE

AMSTERDAM

EXHIBITION

Stedelijk Museum Tel: 31-20-5732911

● Marien Schouten: first Amsterdam overview of this artist's work. An installation occupying seven spaces offers *insight into his complex* ideas about painting: from pure "paintings" on canvas and walls, to plaster and bronze reliefs and constructions made of steel and glass; from Sep 7 to Nov 3

BERLIN

CONCERT

Philharmonie & Kammermusiksaal Tel: 49-30-2614383

● Berliner Symphoniker: with *conductor Stefan Malzew* and tenor Laurence Dale perform works by Auber, Meyerbeer, Gounod and Massenet; 4pm; Sep 8

EXHIBITION

Berlinische Galerie - Martin-Gropius-Bau Tel: *49-30-254860*

● Michael Schmidt. Fotografien seit 1965: retrospective exhibition featuring photographs by Michael Schmidt (b. 1945) from 1965 to the present. *The city of Berlin, in* which the artist has lived all his life, plays an important role in his work; to Sep 8

OPERA

Komische Oper Tel: 49-30-202600

● Die Fledermaus: by J. Strauss. Conducted by Yakov Kreizberg *and performed by the Komische* Oper. Soloists include Schellenberger, Korovina, Neumann and Slowioczek; 6pm; Sep 8

Staatsoper Unter den Linden Tel: 49-30-20354438

● Die Zauberflöte: by Mozart. Conducted by Sebastian Weigle and performed by the Staatsoper Unter den Linden. *Soloists include* Blanck, Kiberg, Eisenfeld, Lang and Vogel; 4pm; Sep 8

BRUSSELS

EXHIBITION

Palais des Beaux-Arts Tel: 32-2-5078466

● *Ilya Kabakov. Sur le toit:* exhibition of Ilya Kabakov's installation "Sur le toit" (On the roof), created for the Palais des Beaux-Arts, in which visitors walk on a foot bridge over the *roofs of* an imaginary city; to Sep 8

CLEVELAND

EXHIBITION

Cleveland Museum of Art Tel: 1-216-421-7340

● *Photographs by Cindy* Sherman: since 1975, Cindy Sherman has created "portraits" of herself dressed as invented characters, using varied poses, *costumes, make-up, settings, and* facial expressions to explore female identity. More recently, she has used prostheses to create her emotionally charged, sometimes *disturbing compositions*. The more than 30 photographs in this exhibition provide a concise survey of the career of this contemporary artist; from Sep 10 to Nov 3

COPENHAGEN

CONCERT

Tivoli Concert Hall Tel: 45-33 15 10 01

● Tivolis Symfoniorkester: with conductor Tamás Vetö perform works by Brahms, Beethoven and Wagner; 9pm; Sep 7

OPERA

Albertslundhuset Tel: 45-43 64 01 98

● Nuit des Hommes: by Norgaard. Conducted by Jacob Schokking and performed by Den Danske Kvartet, the Zetolski Quartet, percussionist Gerd Sorensen and vocalists Sybille Ehlert and Mark Jenicello; 8pm; Sep 9

Det Kongelige Teater Tel: 45-33 *69 69 69*

● Maskarade: by Nielsen. Conducted by Paavo Berglund and performed by Det Kongelige Teater. Soloists include *Stephen Milling, Kari Hamnoy* and Thomas Poulsen Kragh; 8pm; Sep 7

GSTAAD

CONCERT

Menuhinfestival Alpengala *Gstaad Tel: 41-30-47173*

● Die Lustige Witwe: by Lehár. Concert performance, conducted by Yehudi Menuhin and performed by the Sinfonia *Varsovia and the Berner* Konzertchor. Soloists include Yvonne Kenny, Danilo Danilowitsch and Benno Schollum. Part of the Menuhin Festival; 7.30pm; Sep 7

LONDON

CONCERT

Royal Albert Hall Tel: 44-171-5898212

● BBC National Orchestra of Wales: with conductor Tadaaki Otaka and pianist Leif Ove Andsnes perform works *by* Takemitsu, Rachmaninov and Powers. Part of the BBC Henry Wood Promenade Concerts (Proms); 7.30pm; Sep 9

THEATRE

The Pit Tel: 44-171-6388891

● Faust (Parts 1 & 2): by Wolfgang von Goethe, in a new version by Howard Brenton. Directed by Michael Bogdanov and performed by the Royal Shakespeare Company. The cast *includes Michael Feast and Hugh* Quarshie; 2.30pm (part 1) & 7.15pm (part 2); Sep 7

NEW YORK

EXHIBITION

International Center of *Photography* Tel: 1-212-860-1777

● In Times of War and Peace: The Photographs of David and Peter Turnley: exhibition of 200 *works by David and Peter* Turnley, who have photographed every big news event of the past 15 years; to Sep 8

The Metropolitan Museum of *Art Tel: 1-212-879-5500*

● Studio Glass in The Metropolitan Museum of Art: this exhibition of works from the museum's collection exploring the *Studio Glass movement* is the fourth in an ongoing series of exhibitions devoted to 20th century design and architecture. The display features 39 works, *revealing the diversity and range* of forms, colours, subjects and techniques. Artists represented include William Morris, Howard Ben Tré, Mary Shaffer and Thomas Patti; to Oct 6

PARIS

EXHIBITION

Musée Carnavalet Tel: 33-1 42 72 21 13

● Georg Aerni – Panoramas parisiens: exhibition of a series of panoramic views of Paris by the Swiss photographer Georg Aerni; to Sep 29

SAN FRANCISCO

CONCERT

Louise M. Davies Symphony *Hall Tel: 1-415-864-6000*

● San Francisco Symphony: with conductor Michael Tilson Thomas, *organ-player Christopher O'Riley* and mezzo-soprano Michelle DeYoung perform works by Mackey, Beethoven and Ives; 8pm; Sep 7

OPERA

Golden Gate Park Tel: 1-415-861-4008

● Opera in the Park: artists from *the San Francisco Opera's* 1996-97 season perform at Golden Gate Park with the San Francisco Opera Orchestra. The 1995 Opera in the Park concert *attracted more than* 22,000 opera lovers; 1.30pm; Sep 8

VIENNA

EXHIBITION

Palais Liechtenstein Tel: 43-1-3176900

● Erró: From Mao to Madonna: retrospective of this legendary *figure of European* Pop Art, Object Art and Action Painting. The exhibition features about 90 large-format paintings spanning a 30 years period; to Sep 8

OPERA

Wiener Staatsoper Tel: 43-1-514442960

● Don Carlos: by Verdi. Conducted by Fabio Luisi and performed by the Wiener Staatsoper. Soloists include Andrea Gruber, Sergej Larin and Carlos Alvarez; 8.30pm; Sep 7

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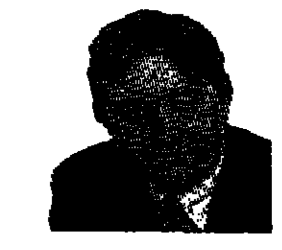

Philip Stephens

Costly boys' toys

It will cost £250 for every person in the UK but the Eurofighter is an unnecessary embodiment of a broken dream

This week the British government confirmed its intention to squander £15bn of taxpayers' money. That's right, £15bn, or £250 for every man, women and child in the country. And what happened? Not a whisper of dissent, not an eyebrow raised. Instead, universal applause. Tony Blair's Labour party, big business, the trade unions: they all cheered. But then they were all playing the nation's favourite game – the politics of delusion.

I am referring to the government's order for a new combat aircraft. Eurofighter 2000 will be built in collaboration with Germany, Italy and Spain. The Royal Air Force says it needs 230 of them. On my reckoning, that works out at £65m each. So far, I suppose, so unremarkable. We have long been been inoculated against the spiralling cost of military kit.

And, of course, our boys must have the best. To listen to Michael Portillo this week was to take a time machine to the days when Britain mounted a fair pretence of standing astride the world stage. Remember the 1950s. Hardly a week went by without an order for the latest high-tech missile or state-of-the-art plane. We had Blue Boar, Blue Steel, Blue Streak, Skybolt, Black Night, the SR177, the TRS2. Later came Chevaline, Nimrod and Tasm.

Some of these actually flew. Most of them didn't. Nothing so trivial as that, though, could quench the thirst of the air marshals and the politicians. They are as intoxicated by sophisticated weaponry as are little boys by plastic soldiers. Show them a piece of lethal wizardry and British Aerospace can add as many noughts as it likes to its cheque from the taxpayer.

Eurofighter claims to have as many of these gizmos as anything else in the air. Its pilots will have "point and shoot helmets" to aim their missiles just by looking at the target. They will be able to talk to the control panel. And if an enemy sneaks up on it, Eurofighter will shoot it down without so much as looking over its shoulder. So we are told. No wonder one breathless defence correspondent wrote this week that the RAF's top guns are absolutely "itching" to get their hands on it.

The RAF will have to wait a while. Officially the first planes will be delivered in 2002. Given the project's track record, that is more than a little optimistic. No matter. In the meantime, Mr Portillo explained, the project would secure the future of 14,000 jobs. It would also cement an alliance between British Aerospace and leading continental defence contractors which would keep Europe at the leading edge of the military aerospace business well into the 21st century.

All this sounded somewhat curious coming from Mr Portillo. The defence secretary has never had a reputation as a corporatist or an advocate of expensive make-work schemes. Nor as an enthusiast for European collaboration. His spell at the Treasury must have taught him that Eurofighter will add not one extra job. If it were scrapped, the money would be spent, and the jobs created, elsewhere. Never mind. The election is on the near horizon. And he has had a rough enough ride from the armed forces.

> To the extent that manned aircraft are of any use at all, they must be invisible to radar. But the Eurofighter is about as stealthy as a Boeing 747

There is, though, a bigger snag. It was no accident that Michael Heseltine was first into the cockpit of the prototype at the Farnborough air show. It was Mr Heseltine, as defence secretary during the mid-1980s, who got the project off the ground. That was before his contretemps with Margaret Thatcher over Westland.

At the time Mr Heseltine was probably right to argue that the RAF's ageing fleet of Tornadoes should be replaced by a new European aircraft. When Eurofighter was dreamed up (it was then called EFA) the world was a different place. We had real enemies.

The icy winds of the cold war still blew across the Berlin wall. Mrs Thatcher had sharply increased overall defence spending. The Falklands war had fostered the illusion that Britain could and should retain the capability to fight a war on its own account. The commitment to the North Atlantic Treaty Organisation meant that the RAF needed fighters capable of engaging Soviet MiGs over the German plains. The Eurofighter was designed to do just that.

And now? Everything has changed. Even supporters do not expect to see Eurofighter in action against the Russians. The idea of Britain retaining an independent military capability is a broken dream. During the Gulf war, its Tornadoes and tanks did not tilt the military balance against Saddam Hussein. They were an expression of political solidarity with the US.

It was the same in Bosnia. Well before US troops were sent, the British and French presence was entirely dependent on a command, control and communications infrastructure supplied by Washington. The reality is that, if and when Britain fights in wars of the future, it will do so as a junior partner in a US-led coalition.

The US also happens to produce better aircraft. Just to look at Eurofighter's 1970s styling is to realise that it is well behind its American equivalents. To the extent that manned aircraft are of any use at all in a world of ever more effective and accurate missiles, they must be invisible to radar. Hence the US emphasis on so-called stealth technology. But, as a Whitehall official who knows about these things remarked, Eurofighter is about as stealthy as a Boeing 747.

Its supporters counter with the argument that without a European alternative, Washington could charge what it liked for US-produced planes. It is easily answered. In its role as world policeman, the US needs its allies to stand alongside it. If it overpriced, say, its F-22 fighter aircraft, Britain would simply buy fewer. The RAF's contribution to any US-led force would be correspondingly smaller. And anyone who believes that the cost of Eurofighter will be held to £15bn is day-dreaming. Its early development costs have already overshot by 25 per cent.

Thankfully, there is still an escape route from this folly. If Mr Blair wins the election, the harsh realities of the public finances might persuade him to be more sensible in government than he can afford to be in opposition. More hopefully, Germany is already seriously worried about the cost. It could yet pull out of the enterprise. The economics then would shift from being absurd to impossible. Let's hope so. There are better ways for a country to relive past glories.

LETTERS TO THE EDITOR

London SE1 9HL

Industrialists do not reflect hostility to Emu in UK – let alone France and Germany

From Mr Ian Milne.

Sir, If the chairmen and chief executives of the prestigious British companies who "fear damage from Emu isolation" (Letters, September 5) had bothered to consult the heads of their French subsidiaries (or read French national newspapers like Le Monde and Figaro), they would know that, for the French establishment, the single currency project is dying on its feet.

A succession of senior French politicians of both the ruling coalition and the opposition are expressing serious reservations about the wisdom of the project, in the press, on radio and on television. They range from former presidents (Giscard d'Estaing) to former prime ministers (Barre, Fabius, Balladur) to former finance ministers (Madelin). These statesmen, whose "European" credentials are impeccable, are reflecting the deepening worries of businessmen, economists, columnists and the electorate about the effect of the so-called single currency on an already enfeebled French economy.

A similar groundswell is now building up in Germany. Chirac and Kohl, who both face general elections in 1998, would each prefer the other to throw in the sponge first. A social explosion that would blow Emu away is less likely in Germany than in France; but – according to French commentators – it is certainly on the cards in France.

Ian Milne,
chairman,
The June Press,
2 rue du Port d'Ouest,
76200 Dieppe, France

From Ms Rebecca Beech.

Sir, Had Britain not left the ERM when it did, we would now be confronting the economic and social devastation that consumes our continental friends. The UK industrialists, whose letter you published, would not be in a position to presume to know what is best for our nation.

While many aspects of the process remain unresolved 125 years after France and Germany first met in Paris to discuss the idea, Emu is fraught with potential economic disaster and should be treated as such. I hope that our politicians will not be overly influenced by the self-interest of big business as I fear they might in an election year.

Rebecca Beech,
25 Montpelier Row,
Blackheath, London, UK

From Mr Osman Streater.

Sir, You print a letter from 15 "representatives of companies whose trade in Europe generates billions of dollars of export business and creates tens of thousands of jobs in this country".

Really? The chairman of Bupa is one of the 15. How many tens of thousands of medical jobs in the UK depend on British participation in Emu, as he urges? So is the chairman of Burson-Marsteller. How many billions of dollars does his public relations company earn from its exports from Britain to the EU? The chairman of Coopers & Lybrand has signed. What does his firm export – accountants? The group chief executive of Rentokil is a signatory. What has Emu got to do with rodent control? As for the chief executive of Unigate appending his signature, surely the one thing that the continentals want to know about dairy products is that they did not originate from British cows.

Even for the companies which clearly do export to Europe, it is hard to imagine that their business will be harmed by our not joining Emu. Will Guinness sell less scotch to the whisky-loving Italians? No! Well, why then are he and other chairmen, such as those of BP and Shell (remember, oil is priced in US dollars) getting emotional about Emu?

Osman Streater,
Savile Club,
69 Brook Street,
London W1Y 2ER, UK

Paris Club must act on debt relief

From Mr Paul Spray.

Sir, Re your report "Paris Club threat to debt initiative" (August 30), the Paris Club must indeed raise the amount of debt relief it can offer and it ought to call a special meeting to do so.

But the Paris Club should not become a reason for the International Monetary Fund to shelve its own contribution.

Paul Spray,
policy director,
Christian Aid,
PO Box 100,
London SE1 7RT,
UK

Environmental quality key element of industrial policy in Philippines

From Mr Owen Cylke.

Sir, Edward Luce ("Green tiger", September 4) captures one half of an emerging development paradigm in Asia. I met Victor Ramos, secretary of state for the environment for the Philippines, just two weeks ago in Manila. He articulated the outlines of what might come to be called a "clean revolution" for the Philippines.

More to the point, Melito Salazar, under-secretary at the Department of Trade and Industry, is leading the environmental charge from within the camp of the presumptive enemy, seeing in the issue a competitive challenge to Philippines industry. He, and his department, are making environmental quality a strategic factor for industrial policy, the other half of the development paradigm.

As Mr Salazar points out, the elements for a "clean revolution" are in place in the Philippines: increasing public awareness and concern for the environment; improving environmental regulation and enforcement; dramatic increases in the rate of investment; and increasing pressure from the international market place.

With perhaps as much as 90 per cent of the Philippines industrial stock to be built over the next 15 years, there is real opportunity for the introduction of clean design, technologies and production. The convergence of environmental and industrial policy in the Philippines is just another sign that brown and green can co-exist in Asia.

Owen Cylke,
(senior fellow, Tata Energy and Resources Institute, Washington DC),
9101 Charred Oak Drive,
Bethesda, MD 20817,
US

Europa · Thomas Mayer

The way to price stability

A European central bank's operations should be guided by an inflation target

The financial markets may be having renewed doubts about whether the European Union can achieve the final stage of economic and monetary union (Emu). But preparations for monetary union are gaining momentum among the various national and EU authorities involved.

One question under discussion is how the future European central bank should pursue price stability. Should its policy operations be guided by a monetary target in the manner of the Bundesbank or should it adopt an inflation target?

At first glance, this seems like a technical issue of limited general interest. But the decision will have important consequences for the transparency of European monetary policy and the accountability of the central bank.

The advocates of monetary targeting point to the stability of aggregate money demand in Europe, and to the good inflation record of the Bundesbank. Why, they ask, should a concept that has served the Bundesbank so well not be taken over by the European central bank?

However, there are at least two good reasons why an approach that has worked well for the Bundesbank may not be suitable for the European central bank.

One is that the apparent stability of European money demand in the past will not necessarily hold in the future, when national currencies will be replaced by a European currency with as yet unknown characteristics. This problem could be addressed by a careful monitoring of money demand across Europe.

A more important objection is that monetary targeting along the lines followed by the Bundesbank will leave the central bank too much room to act at its own discretion. While freedom from public scrutiny may have been acceptable in Germany, it would not be so easily tolerated in a supranational institution such as the European Central Bank.

In theory, monetary targeting commits the central bank to a strict regime. Provided the demand for money is stable, the central bank stabilises inflation by allowing money supply growth consistent with real potential gross domestic product growth, any trend change in the velocity of money and the target inflation rate. In other words, a central bank using the monetarist approach should control money supply growth and allow interest rates, prices and economic activity to adjust accordingly.

The Bundesbank's approach to monetary targeting, however, turns this monetarist concept on its head. Instead of controlling money supply, the Bundesbank aims to control money demand. It uses interest rates to influence economic activity and price developments, to which money demand growth then adjusts.

In the Bundesbank's indirect approach to monetary targeting, the appropriate monetary expansion is the end result rather than the starting point of monetary policy.

Hence it is perhaps not surprising that recent research shows that the Bundesbank's interest rate policy can be explained by the so-called Taylor rule: official interest rate changes primarily reflect changes in the output gap (the difference between actual and potential real GDP) and the difference between actual and target inflation.

By trying to minimise the output gap and the difference between actual and target inflation, the Bundesbank is essentially aiming for convergence between actual and potential nominal GDP growth. If there is a stable long-run relationship between nominal GDP and money, as still seems to be the case in Germany, this will produce money growth at the target rate.

The Bundesbank's approach to monetary policy is thus very similar in essence to that of the US Federal Reserve. But the continuing stability of the relationship between German money and prices has allowed the Bundesbank to present its approach as being in the traditional monetarist framework.

This has permitted the Bundesbank to fend off suggestions that it should take direct responsibility for real economic activity and inflation (as the Fed does). Nor does it have to commit itself to strict money control (as the original monetarist approach demands).

The result has been considerable room for discretion in the design of monetary policy, and the inability of the public to monitor central bank performance except in the very long run.

The German inflation record of the last four decades suggests that the Bundesbank has tended to use this room for discretion wisely.

But it is far from clear that a supranational central bank endowed with the same room for discretion and similarly freed from public scrutiny would do the same. National representatives on the governing council of the central bank might be tempted to dilute monetary policy in pursuit of narrow national interests – some countries, for example, may regard rapid economic growth as more important than low inflation.

Hence an inflation target combined with the requirement to report regularly on the outlook for inflation would be a better policy framework for the European central bank than monetary targeting along Bundesbank lines.

In following such an approach, the European central bank would regularly publish an inflation forecast based on all relevant economic variables (including money stock growth). And it would explain any official interest rate moves in the light of the difference between the forecast and target inflation.

As a result, European monetary policy would become transparent and the central bank would be publicly accountable for its policy decisions, which in the end would strengthen its credibility.

The author is senior economist at Goldman Sachs Frankfurt office, and a former economist at the International Monetary Fund.

FINANCIAL TIMES

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Friday September 6 1996

Reforming Germany

On Wednesday the French authorities announced that gross domestic product fell 0.4 per cent in the second quarter. Yesterday, the equivalent German figure turned out to be a rise of 1.5 per cent. Many will conclude that there is a sharp contrast between the two economies. That would be wrong: they are remarkably alike.

Over the year to the second quarter, the German economy grew 1.2 per cent, the same rate as the French economy. Over the past five years the German economy has grown at an average rate of 1.3 per cent, which is also the rate at which the French economy has expanded. Since the end of Germany's post-unification spurt, cyclical fluctuations have also been remarkably close, both in timing and amplitude.

Rates of consumer price inflation in the year to July were also not far apart – 1.6 per cent in Germany and 2.3 per cent in France. Interest rates in the two countries are virtually identical throughout the yield curve. Moreover, in its latest report on Germany, the Organisation for Economic Co-operation and Development forecasts the general government borrowing requirement at 3.4 per cent next year, on the basis of GDP growth of 2.4 per cent and agreed and mandated fiscal measures. On these assumptions, the fiscal outcome should be similar in France.

These are two converged economies. Unfortunately, they have converged on a dismal economic performance. This is shown by the slow rates of growth. It is also shown in the July rates of unemployment – 12.5 per cent for France and 10.2 per cent for Germany.

One reason for the convergence is that the two economies share monetary policies. Another is their common structural failings. Yesterday's OECD report throws a spotlight on those afflicting Germany. The detail would be different, but the message would be similar for France.

Germany spends more on subsidies than any other country in the European Union. The OECD even speaks of a growing "subsidy mentality". Unemployment benefits are too generous and marginal rates of income tax too high. The tax system is also an obstacle to the emergence of dynamic markets in risk capital. Restrictions on firing workers are a disincentive to hiring and regulations constrain the capacity of the service sector to create jobs and increase output.

Germany and France may feel pleased that they have converged, but not at how they have done so. Low inflation is fine; sustained low growth is not. Not only they, but Europe as a whole, needs greater dynamism. Much will depend on structural reform. The German government has at least made a start. The OECD shows how much more remains to be done.

UN sidelined

Whatever its human and material cost, the crisis in Iraq has already claimed an important institutional casualty. The UN Security Council, viewed until recently as the chief licensing agency for the US and other would-be world policemen, is forfeiting that role.

For better or worse, the US launched its air strikes against Iraq without seeking the Council's approval. Britain's attempt to muster support for a firm resolution censuring Iraq – albeit without calling for punishment – has foundered on French coolness and objections from Russia and China.

In the absence of a new mandate, the US has stretched even further the tenuous legal basis already claimed for the allied intervention in northern Iraq in 1991 and subsequent imposition of no-fly zones. The original Gulf war resolution of November 1990 authorised member states to use "all necessary means" to restore peace and security in the region. Resolution 688, of April 1991, described the repression of the Kurds and others in Iraq as a threat to peace and security. Ergo, it is argued, force could legitimately be used to protect them. And that in turn is held to legitimise attacks on Iraq's air defences, which make it safer for western air forces to police Iraqi skies.

Of course, Bill Clinton's policy is not driven by these legal considerations, but by the need to face down Baghdad and avoid any perception of weakness, especially in the eyes of US voters. And his willingness to act alone carries an implicit message to his Security Council partners: if the UN refuses to back actions that are manifestly necessary, so much the worse for the UN. It is a far cry from the early days of his presidency, which were full of optimism for the UN's potential.

Russia, which like Britain and France wields more power in the Security Council than in the real world, has denounced the US for "usurping" the UN's role. Of course, Moscow is quite familiar with the practice of using force first and making legal arguments later. But Mr Yevgeny Primakov, Russia's foreign minister, has warned of "anarchy" if the US goes on acting unilaterally.

In practice the US will, sometimes must, act unilaterally when it sees vital interests at stake. But international legitimacy and due process are also important interests, which should not be watered down without considering the consequences. Washington should work harder to build a consensus for its policies towards Iraq, Libya and other "pariah" states. A greater willingness to listen to the concerns of its partners could make US policy more effective, not less.

Weinstock era

Lord Weinstock's retires today as managing director of the General Electric Company. When he took the post in 1963, the British corporate landscape looked radically different. The constituents of the FT 30-share index of blue chip companies included such stalwarts as Alfred Herbert, British Motors, Lancashire Cotton and Swan Hunter. Of those which have survived as independent entities, none has a market value close to GEC's.

This is a point worth setting against the charge that the company has lost vigour in recent years. Much of GEC's early success was attributable to the Weinstock characteristics of tight cost control and budgeting. These are now commonplace in the UK, at least in theory. They were much less so in the undisciplined 1960s and 1970s.

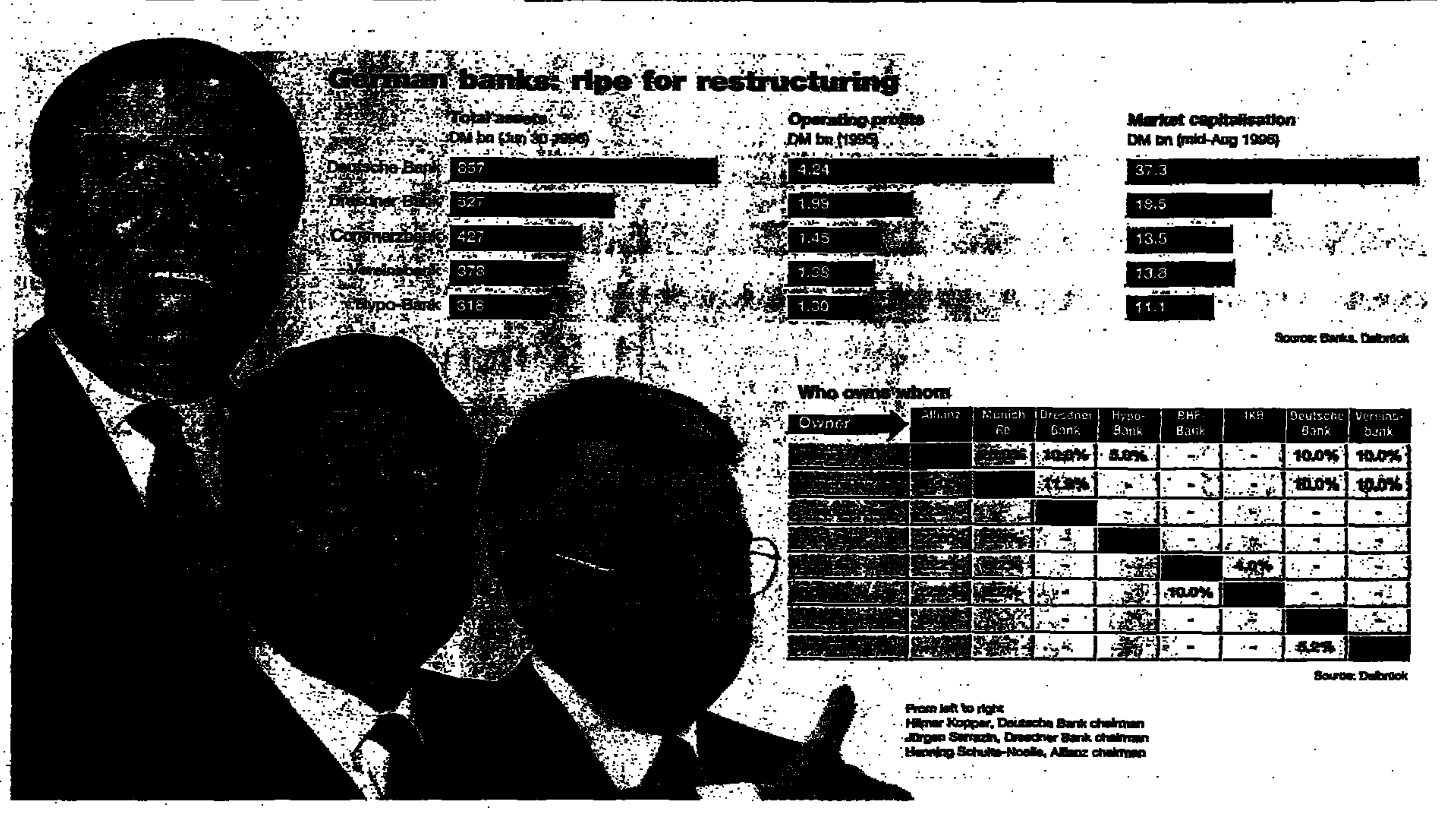
Another distinguishing GEC characteristic was its dependence on big monopoly buyers in the UK. Without the patronage of the Central Electricity Generating Board, the Post Office and the Ministry of Defence, the last few decades would have been much tougher for the company.

Against that is the charge that in seeking sheltered markets, GEC failed to build a competitive edge in the hurly-burly of the outside world. Its record for technological innovation is not impressive compared to some of its global competitors. And while it may have financially prudent to stay clear of risky sectors like semiconductors, this approach also excluded the company from some of the chief growth markets of the latter part of the century.

It is also a criticism of the Weinstock years that GEC was slow to turn itself into a global producer, except through the conservative medium of joint ventures. It is true that the UK is a meagre base from which to attack the world. But a small home market has not hampered the global ambitions of at least one GEC rival, the Swiss-Swedish manufacturer ABB.

Yet the original point holds good. While Lord Weinstock's achievement can be criticised in global terms, it is a lot harder to do so in the UK context which was his starting point. Today, GEC has a market value of £10bn and enormous reserves of cash to safeguard its future.

And after all, Lord Weinstock's final week saw him playing a central part in the restructuring of European power generation – and possibly European defence – through GEC Alsthom's discussions with Framatome. Whether he merits the title of great industrialist may be open to debate: but no British manager of his generation has a better claim.



From left to right
Hilmar Kopper, Deutsche Bank chairman
Jürgen Sarrazin, Dresdner Bank chairman
Henning Schulte-Noelle, Allianz chairman

Cat set among the pigeons

Deutsche Bank's move has set the stage for a more wide-ranging restructuring of the German banking industry, says Andrew Fisher

When Deutsche Bank, Germany's largest bank, recently announced that it held 5.21 per cent of smaller Bayerische Vereinsbank, the fourth-largest, the unexpected news stunned bankers and investors. It also launched a wave of speculation about further shifts of ownership in the German banking sector.

Restructuring has looked inevitable for some time with the country's big banks striving to cut costs and competing hard for affluent private customers. Lending margins are thin and banks are concentrating on low-risk, and thus low-profit, corporate loans as Germany emerges from recession.

"Deutsche Bank's stake in Bayerische Vereinsbank put the cat among the pigeons," says Mr Chris Williams, European banking analyst at Fox-Pitt Kelton, the UK stockbroker. By opening people's minds to the possibility of mergers or takeovers among German banks, "the stage has been set for something quite significant to happen".

Mr Hilmar Kopper, Deutsche Bank chairman, admitted last month that the Vereinsbank stake had been taken to give it a seat at the negotiating table, should any other German or foreign banks think about trying to move in. "It was throwing our hat into the ring, so to speak," he said. Since the bank had previously said the shareholding – worth nearly DM700m (£301.7m) at the current share price – was purely an investment, Mr Kopper's comments made clear that far more is potentially at stake.

The big Frankfurt- and Munich-based banks have been reorganising vigorously for some time to improve customer service and automate more transactions. They are trimming surplus branches and reducing staff, although much less drastically than their counterparts in the US or the UK because of social constraints.

The approach of European monetary union has also concentrated bankers' minds. A single currency will change the banking environment markedly, bringing greater opportunities for banks big enough to take advantage of pan-European capital and investment banking markets.

And they are also under pressure from big international investors to squeeze more profit out of their businesses. Shareholder value is constantly on the lips of leading German bankers, keen to lift their returns on equity to Anglo-Saxon levels.

Mergers would be one way of doing this, although significant gains would require restructuring to include the host of savings, co-operative and other regional banks which account for about 75 per cent of the retail and corporate market. The top three commercial banks only have about 12 per cent.

The Deutsche Bank announcement sparked a surge in prices in previously lethargic bank shares – and a spate of rumours. Vereinsbank's shares, about DM40 before Deutsche's announcement, have leapt to about DM50.

"The automatic assumption that this [mergers or acquisitions] couldn't happen in Germany has gone," says Mr John Leonard, London-based banking analyst at Salomon Brothers, the US investment bank. "This is certainly going to become a boardroom topic for all members of management at all German banks."

A merger between Frankfurt-based Deutsche Bank and Munich-based Vereinsbank would give the former a bigger share of the wealthy Bavarian market and a stronger position in the low-margin but steadily profitable mortgage business. On that basis, a merger between Dresdner Bank (number two in Germany) and Bayerische Hypotheken-und Wechsel-Bank (number five) would also yield benefits.

Just over 20 per cent of both banks is owned by Allianz, the big insurance group which also has smaller holdings in BHF-Bank and IKB Industrie Kreditbank. At its recent annual press conference, Mr Henning Schulte-Noelle, Allianz's chairman, spoke of the possibility that "the German banking landscape will undergo considerable changes". Trying to assess what would happen was an "exciting question", he added.

He singled out Allianz's stakes in Dresdner and Hypo-Bank as having a "certain strategic interest" through co-operation deals on insurance sales. But these holdings have been the subject of speculation for a different, though equally strategic, reason.

When asked at Dresdner's interim press conference if talks were taking place with Hypo-Bank and whether Allianz had put on pressure, Mr Jürgen Sarrazin, Dresdner's chairman, answered no. Yet such a combination is regarded as among the most likely in any future restructuring wave.

Some analysts believe Dresdner is keen to be an active partner with Allianz in setting up a deal, rather than simply going along with its wishes. Since Allianz also wants to improve its return on equity, a Dresdner-Hypo-Bank link would have the benefit of enhancing the low earnings performance of its bank holdings.

Also widely rumoured has been an amalgamation between Commerzbank – third-biggest of the Frankfurt banks – and Vereinsbank. This has been dismissed by both sides, but reflects the fact that they are of similar size, with shares widely spread in the market. A merger could give both added strength, with the attraction for Vereinsbank of joining a roughly equal partner, instead of being absorbed by the powerful Deutsche Bank.

Both have also had problems breaking into the costly international businesses of investment banking and asset management. Commerzbank failed to buy Smith New Court, the big UK broking firm that went to Merrill Lynch of the US last year. Vereinsbank also failed to enter the asset management business when its attempt to buy Oppenheimer, the US investment bank and fund manager, looked as if it would take too long to overcome regulatory hurdles.

Both could be attractive to a large foreign bank seeking a German foothold as part of its expansion plans. Yet there are only a limited number of potential buyers: French banks have their own widely publicised problems, especially in the property market; and UK and US banks are not thought to be interested in the over-banked German market.

"Only the big Dutch and Swiss banks appear to be potential buyers in Europe," says Mr Dieter Hein, banking analyst at BHF-Bank, a medium-sized Frankfurt bank which concentrates on merchant banking business. Not only do they have the money, but they are also close to Germany geographically and mentally.

Yet there is no sign that any of the Swiss or Dutch banks is contemplating such a move. It would certainly be expensive: Vereinsbank and Commerzbank each have a market capitalisation of more than DM13bn, with Hypo-Bank at about DM11bn.

But there are other obstacles to such predatory moves. "Even in the case of a friendly takeover, it is difficult enough for big companies to reconcile two different corporate cultures," says Mr Hein. "But against the opposition of the managing boards, it will hardly be possible to realise synergies."

Hostile bids go against the grain in Germany, where consensus is still prized above confrontation. Even an agreed takeover could revive the debate about the power of the banks, says Mr Michael Klein, banking analyst at Delbrück, a Frankfurt bank. "With their big profits, how could banks argue they have to merge to achieve savings because they are doing so badly?"

The Federal Cartel office would also cast a sceptical eye on any bids. But its objections could probably be overcome, since big banks' market share is small. "The cartel office may not want such a development, but their arguments would be hard to sustain on a pan-European basis, especially in the face of Emu," says Mr Stephen Lewis, London-based European banking analyst at Union Bank of Switzerland.

Thus any major moves in the German banking market are not expected to happen quickly, to allow time for the idea to sink in among the public. "I wouldn't expect anything in a year, but certainly in about two years," says a leading Frankfurt banker.

Whenever the restructuring finally gets under way, Deutsche Bank certainly wants to stay number one. "The one thing it does not want to happen is to lose its dominant position in the domestic market," says Mr James Hyde, European banking analyst at Williams de Broë, the UK broker. By taking its stake in Vereinsbank, Deutsche has served notice that it does not intend to do so.

OBSERVER

A random old world

■ America's party convention season showcased a society where no [illegible] is too raw, no tragedy too intimate, for national network exposure.

The conventions may be over, but the story goes on. Dick Morris, the Clinton political consultant forced out of the White House in a sex scandal, is parading his troubled marriage all over the national press.

Morris – [illegible] architect of President Bill Clinton's family values campaign and engineer of his dramatic revival in the opinion polls – got himself on to the cover of both Time and Newsweek magazines this week.

Resisting any temptation to maintain a period of decorous silence, his wife Eileen McGann detailed for Time some of the couple's most intimate conversations in the wake of tabloid allegations that Morris had an affair with a $200-an-hour prostitute. [illegible] having been born prematurely at a weight of [illegible] pounds, her husband was a fighter, and that her main concern was "with helping Dick get through this".

Morris himself also understands the national Zeitgeist well enough to parlay his story into lucrative contracts, and has offered his services to the television networks as a political commentator. Nor has he let the [illegible] regards the book. Late on Wednesday he signed a contract with Random House to chronicle the [illegible] of the presidency he masterminded.

With no detectable hint of irony, Harold Evans, Random House publisher, defended the deal, saying Morris had had "a unique experience" which readers would find fascinating. Doubtless he meant Morris's experience in the White House, rather than the other experiences that have actually made him famous.

Ball in his court

■ It is Germany's OJ Simpson debate – minus the distraction of television coverage, because the cameras don't get to penetrate the courtroom.

Some 18 months after Steffi Graf's father's arrest, the long-awaited tax evasion trial finally kicked off yesterday, with the big question for Steffi's millions of fans naturally being: how much did she know?

Huge relief all around, presumably, when Peter Graf reiterated to the court that she knew nothing. More intriguing, however, were his comments about his "tax saving model", as he chose to dub it. He related how he reckoned the authorities had misled him about the legality of his little device, which allowed sponsors to pay directly into a foreign bank account. Not that he didn't, as he let on, sometimes feel a little unwell in the "depths" of his conscience.

His central allegation concerns someone "in high authority" who had suggested that a lenient view might be taken if Steffi stayed put in the country – and did not join some of her sporting compatriots in falling for the delights of Monaco or elsewhere. The Germans could be set to glean an interesting insight into the [illegible] of the fiscal powers that be.

The first fence?

■ Machiavellian could be one way of describing official Italian reaction to the US cruise missile attacks on Iraqi military installations, but uncertain compromise looks closer to the mark.

Yesterday's issue of La Repubblica, the daily newspaper, carried a small three-column table that said it all. Among the countries listed as dead set against the US action were France, Spain, Russia and China, while those siding squarely with the USA included Britain, Germany and Japan. As far as La Repubblica is concerned, Italy is alone as a fence-sitter.

Perhaps it is a question of wanting not to offend friends and allies. Alternatively, the Italian stance might reflect differing views in Romano Prodi's highly heterogeneous cabinet.

It certainly looks like another case of wanting to have the spaghetti sauced on all sides.

All change

■ Reactionaries have triumphed over the reformers at blue-blood investment bank ING Barings. Just one month after declaring Friday a "dress-down" day, when staff can put away their stuffed Jermyn Street shirts, the company has killed it off. "It was an experiment which has come to an end," says the bank.

The victory for more conservative forces hasn't found favour among the younger generation. "It's all rather disappointing," says one youthful blade. "With winter coming up, I was looking forward to slipping on the moleskins."

One Barings man likely to be smiling is Charles Irby in corporate finance. Within minutes of the "relax" dictat, he told his staff he required them to remain conservatively attired. Rumour has it that he may have had a say in the latest decision.

Financial Times

100 years ago

Foreign Shareholders
The influence of foreign shareholders who were so freely introduced last year into British companies has made itself felt more than once of late, and we must say that, generally speaking, the influence has been for good. The cohesion of a knot of French shareholders has formed a useful nucleus of resistance to Directorial policy, and in the case of the Lagunas Nitrate Company it assisted to bring about the change in management to which we have more than once called attention.

50 years ago

Productivity
Productivity, or output per man hour, is a vitally important aspect of reconversion. Never was there so much interest in the subject. Yet on very few subjects is there so little reliable material available. As a consequence, there is a good deal of rather loose talk about the unfavourable trend in productivity in Britain, particularly since the end of the war.

Industrialists complain that many workers are not putting the same energy into the job as in war-time or even before the war, and there are one or two "difficult" industries such as building, where output per head has manifestly fallen.

FINANCIAL TIMES
Friday September 6 1996

German growth fails to lift bleak job prospects

By Peter Norman in Bonn

Germany returned to growth in the second quarter, but rising unemployment last month and a sober report on the economy from the Organisation for Economic Co-operation and Development gave little hope of the country's unemployment crisis easing.

On a seasonally adjusted basis gross domestic product jumped 1.5 per cent from the first quarter, when the economy declined 0.5 per cent, the federal statistics office said yesterday.

GDP was 1.2 per cent higher than in the second quarter of last year after year-on-year growth of just 0.2 per cent in the first three months of 1996.

Mr Günter Rexrodt, the economics minister, hailed the news as evidence that Germany had overcome a "dip in growth", but the federal labour office announced that *unemployment increased* nationwide by a seasonally adjusted 14,000 last month.

On an unadjusted basis, Germany's August jobless total of 3.9m was 9,950 below that of July but 323,500 higher than in August last year. The nation's unemployment rate held steady at 10.2 per cent of the working population last month, with a continuing sharp divergence between the 15 per cent jobless rate in former Communist eastern Germany and 9 per cent in the west.

In its annual report on the German economy, the OECD warned yesterday that the country's expected rate of growth "would be too weak to make any inroads into the high level of unemployment". Although the Paris-based "club" of 27 industrialised democracies forecast GDP increases of 0.5 per cent this year and 2.4 per cent in 1997, it warned that employment in Germany would fall by about 1 per cent this year and that the jobless rate would not stabilise before next year.

Germany's return to growth between the first and second quarters owed much to an unprecedented 11.5 per cent jump in construction activity, which made up for the 9.5 per cent drop during the first quarter.

The statistics office pointed to a 2.5 per cent increase in export demand and a 3.6 per cent jump in public-sector consumption as important factors behind the year-on-year growth of 1.2 per cent.

Germany warned, Page 2
Editorial Comment, Page 13

Telecoms plan for US and UK may cut costs

By Guy de Jonquières in London

The US and Britain are discussing radical liberalisation of transatlantic telecommunications traffic, which they hope will help trigger sharp falls in international call prices and shake up the industry worldwide.

Mr Reed Hundt, chairman of the US Federal Communications Commission, said in London yesterday the two countries were planning "the communications equivalent of Operation Overlord" – codename for the allied liberation of continental Europe at the end of the second world war.

The move may prove controversial in Brussels, because it could enable US carriers to compete throughout the European Union, while their home market remained closed to European companies.

The plan still faces hurdles. *As part of any deal, London is expected to press for BT,* Cable & Wireless and other UK companies to be allowed operate freely in the US.

The FCC, which regulates the US industry, is unlikely to act on such a request before November's presidential election. The liberalisation plan, which Mr Hundt discussed with British authorities this week, may also face opposition *from AT&T and other* large US carriers.

Both governments believe the plan could weaken bilateral arrangements which telecommunications companies worldwide have long used to share international revenues.

The arrangements, based on artificial "accounting rates", have been criticised for inflating international tariffs and distorting the world market.

The US and Britain are considering waiving the "accounting rates" system on calls between them after the UK fully liberalises its international telecommunications market next year. The policy would be for an experimental 18-month period.

Almost 50 companies – 22 of them US-based – are seeking licences to operate international services from the UK. *But the government fears that* unless the US reciprocates, it will benefit most from any change in the accounting rates system.

Britain plans from next year to grant similar treatment to other members of the EU, which is due to liberalise telecommunications in 1998. The EU scheme only covers calls between member states. But US carriers might benefit if *they could use Britain as a* low-cost route to serve customers elsewhere in the EU.

See Lex

Brussels to unveil labelling scheme to allay BSE fears

By Caroline Southey in Brussels

The European Commission will shortly unveil an ambitious labelling regime for beef in an attempt to boost the industry's image and allay consumer fears about red meat.

The Commission envisages providing consumers with a history of each piece of beef, from cowshed to supermarket. Every beef product would carry a label stating where the animal was born, where it was fattened, what it was fed and where it was slaughtered.

The scheme would be backed by a "passport" scheme for all cattle in the European Union, with the details kept on national computer databases.

The EU beef sector has been devastated by a six-month old crisis triggered by fears over bovine spongiform encephalopathy or mad cow disease. EU beef consumption is still at 80 per cent of its level before the UK government announced in March that BSE could be linked to a fatal human brain disease, CJD.

Devising an EU-wide scheme is complicated, as an animal could be born in the Netherlands, fattened in France and slaughtered in Spain.

The "passport" scheme would be compulsory. The labelling scheme, which is still in draft form, would be voluntary. But Brussels hopes it will trigger competition between producers and supermarkets. "The ones that don't have the guarantees will get less and less of the market," a meat trade official said. The International Butchers' Confederation, which represents small butchers in Europe, said it welcomed a labelling system because "consumers want one". But the industry was against a system that required "too much information".

Officials said the aim was also to provide coherence in EU regulations on labelling and cattle identification. Some member states, such as Belgium and the Netherlands, have sophisticated animal passport systems while others, such as the UK and Italy, have poor traceability regimes.

Rechem gains BSE cull work, Page 7

Yeltsin

Continued from Page 1

general. But he added that he opposed the rapid withdrawal of Russian troops from the contested region.

Russia's fledgling stock market, which has fallen by almost one-third since the summer presidential election because of fears over Mr Yeltsin's health, declined by about 5 per cent yesterday.

Bankers said the added uncertainty was likely to delay Russia's long-awaited foreign investment boom.

But both political and business leaders said the strong presence of Mr Anatoly Chubais, the mastermind of Russia's economic reform programme who recently became the Kremlin chief of staff, might keep the government on track.

Deutsche unit trust move

Continued from Page 1

Asset Management this week after the discovery of mis-valuations of securities in the funds.

Deutsche Bank said it had suspended Mr Stewart Armer, *fund manager of one of the funds.*

As the unlisted companies set up by Mr Young were untangled, MGAM discovered it owns nearly half of Ashurst Technology, a Toronto-listed engineering group, and 51 per cent of Sysdeco, a Norwegian software group.

Mr Michael Dobson, the chief executive of Deutsche Bank's investment banking arm Deutsche Morgan Grenfell, said a City law firm and accountancy firm would take part in its inquiry into what had occurred at MGAM.

"There is a clear structure, and there was a break down of controls and supervision," said Mr Dobson, a Deutsche Bank director. "We will leave no stone unturned to discover what happened and make sure it never happens again."

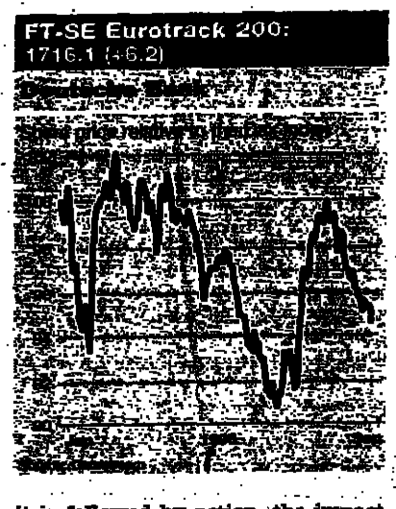
Mr Rolf Breuer, a Deutsche director with responsibility for asset management, said the bank had already considered moving the UK unit trust business under Frankfurt control and would do so again "in the light of what has happened".

Some 8 per cent of cash in the three suspended funds was withdrawn by investors yesterday.

The funds had an estimated £300m in cash ready to meet more pessimistic predictions of how badly investors would react to the affair.

THE LEX COLUMN

Morgan's maze



One has to grant it to Mr Peter Young, the suspended Deutsche Morgan Grenfell unit trust manager. The scheme he allegedly put in place to hide his unauthorised investments had a certain elegance. Such was his enthusiasm for certain stocks that he is said to have breached rules preventing unit trusts owning more than 10 per cent of a company. To disguise what was happening, according to DMG, he created a series of unlisted Luxembourg-based companies to hold the shares. Of course, Mr Young's trusts were not allowed to own more than 10 per cent of these unlisted companies. So to circumvent that rule, a web of cross-shareholdings was apparently established between the unlisted companies.

One effect is that DMG seemingly finds itself the proud owner of 49.9 per cent of Ashurst Technology, a Toronto-listed engineering group, and 51 per cent of Sysdeco, a Norwegian software group. It is bad enough that both shares have plummeted in recent months; because DMG owns such large chunks of the companies, it could even be forced to bid for them.

Still, Mr Young's ingenuity does not excuse DMG's failure to spot the ruse. The company was worried back in April that the proportion of *unlisted companies* in Mr Young's portfolio was rising. But it merely told him to cut the proportion. And Mr Young allegedly bypassed that instruction by selling the shares to other unlisted companies; because they were sold at a discount to their previous value, the proportion of unlisted shares in his portfolio seemingly fell.

Why did Mr Young's bosses *fail* to probe the nature of the unlisted companies that were appearing in *his portfolio? Why did it take a further four months before they found* out what was happening? The answer is apparently the old one of inadequate controls – or discipline, in the words of Deutsche Bank's fund management chief. In the circumstances, it is appropriate that Deutsche Bank is shouldering the losses and has egg on its face.

International telecoms

The US and the UK apparently want to launch the equivalent of "Operation Overlord" to bring down the high cost of international telephone calls. The phrase – from Mr Reed Hundt, chairman of the US Federal Communications Commission – is suitably dramatic. And if it is followed by action, the impact *on the industry's profitability* will be severe.

International phone calls generate \$50bn in revenue a year, with the average price nearly \$1 a minute. Analysts think the true costs are a fraction of that – perhaps only 20c a minute. That points to excess profitability of maybe \$40bn. Such a sum is, of course, not going to vanish overnight – not *least* because the UK and the US do not speak for the whole world. That said, other European countries, in particular, would be under pressure to follow suit; otherwise, *they* could see telecoms traffic diverted to London and then shunted across the Atlantic. Given how much most telecoms companies rely on profits from international calls, the consequence would be painful.

Grand Metropolitan

Mr John McGrath, Grand Metropolitan's recentlyinstalled chief executive, has wasted no time in shaking up the food and drinks group. By the year end, he will probably have raised £400m (\$255.2m) from disposals, achieving a bold rationalisation of the group's ragged European foods portfolio and a sensible exit from its decidedly non-core eye care subsidiary, *Pearle*. These businesses produce low returns on invested capital, are an unnecessary management distraction and can be sold without much earnings dilution.

There is generally a downside to restructuring. In this case, it is the embarrassment of admitting that these investments have destroyed £500m of shareholder value, which will be registered as an exceptional loss. But these acquisitions were mistakes from Grand Met's distant past and Mr McGrath is right to kick them out.

If the proceeds come in by the year end, Grand Met's net debt would fall to almost £2.5bn, down £800m from *last* year. And with pro-forma interest cover of around 7½ times, a share repurchase suddenly becomes a *realistic possibility*. A buy-back would do more than enhance earnings – it would prove that Mr McGrath has no plans to trace the disturbingly acquisitive pattern of his predecessors. And there is much for him to do with the existing business. Returns on capital remain unimpressive. If he can devise a tax efficient way of demerging the group's strategically incongruous Burger King subsidiary, he would atone for plenty of *the group's previous sins.*

Royal & Sun Alliance

Yesterday's results were good and the integration is on track, but investors are refusing to get excited about the merger of Royal Insurance and Sun Alliance. The shares are back where they were when the *marriage was announced in May.*

Unfortunately, that reaction is hard to fault. While cost savings will probably exceed the £175m promised by 1998, analysts expect fully a third of them to be competed away. And while the merger has improved the group's geographical balance it has not reduced its exposure to the highly competitive end of the general insurance business. Sheer size does not improve underwriting skills and a look at the US *shows the big, national insurers* losing ground to regional and specialist companies.

A second worry is that the compromise at senior management level – there is both a chief executive and an executive deputy chairman – could stop the group from taking the necessary hard decisions. Proposals to shed 30 per cent of managers, against 12 per cent of total staff, certainly *sound* tough. But Royal & Sun is not moving particu*larly quickly to unify its three sepa*rately branded direct insurers in the UK. And a management focused on maximising returns on equity would hand back excess capital to shareholders, while Royal & Sun clearly intends to keep something for a rainy day. Until those concerns are addressed, there is little reason for the shares to trade above their asset value.

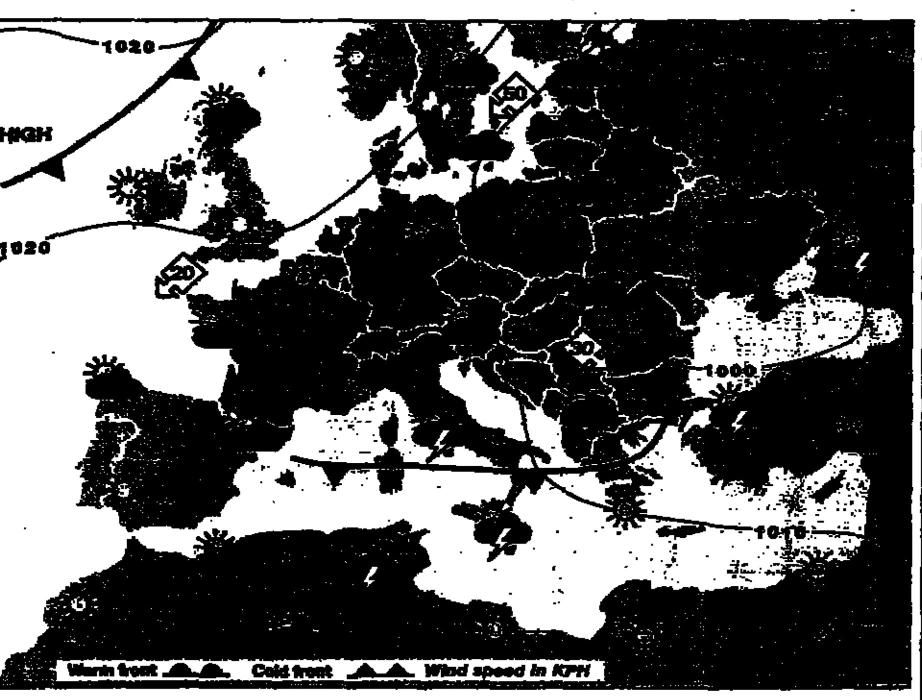
FT WEATHER GUIDE

Europe today

The Benelux, France, southern England and Wales will be mainly sunny, while northern England, Scotland and Ireland will have some cloud. North-west and north-east Spain will have showers, though the south of the country will be sunny. Portugal will be partly cloudy. Northern Italy will be sunny, while southern Italy, the Balkans and Austria will have thundery showers. Greece will be mainly sunny and dry. Germany, eastern Poland and Russia will have rain.

Five-day forecast

Northerly winds will bring cool, damp air into western Europe. Showers are expected to arrive in the Benelux by early next week, though France will remain mainly sunny and dry. Northern and western Spain and Italy will have thundery showers. Rain is likely in the Balkan states and Russia.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	cloudy 27	Caracas	cloudy 33	Faro	sun 24	Madrid	sun 27	Rangoon	shower 31
	Celsius	Belfast	fair 18	Cardiff	sun 19	Frankfurt	fair 18	Majorca	shower 28	Reykjavik	shower 11
Abu Dhabi	sun 42	Belgrade	shower 15	Casablanca	sun 25	Geneva	sun 21	Malta	fair 28	Rio	shower 23
Accra	fair 28	Berlin	shower 14	Chicago	sun 26	Gibraltar	sun 26	Manchester	fair 17	Rome	thund 27
Algiers	cloudy 28	Bermuda	fair 30	Cologne	sun 17	Glasgow	fair 19	Manila	cloudy 33	S. Frsco	sun 24
Amsterdam	fair 18	Bogota	fair 18	Dakar	shower 30	Hamburg	shower 14	Melbourne	fair 16	Seoul	fair 27
Athens	sun 28	Bombay	shower 32	Dallas	sun 33	Helsinki	fair 13	Mexico City	fair 25	Singapore	thund 30
Atlanta	fair 33	Brussels	sun 17	Delhi	shower 28	Hong Kong	fair 31	Miami	sun 33	Stockholm	shower 14
B. Aires	fair 17	Budapest	fair 16	Dubai	sun 39	Honolulu	fair 32	Milan	sun 24	Strasbourg	sun 20
B.ham	sun 18	C.hagen	shower 15	Dublin	fair 16	Istanbul	thund 24	Montreal	sun 23	Sydney	sun 19
Bangkok	thund 34	Cairo	sun 36	Dubrovnik	sun 21	Jakarta	fair 31	Moscow	shower 20	Tangier	sun 26
Barcelona	shower 25	Cape Town	shower 14	Edinburgh	fair 18	Jersey	sun 20	Munich	rain 13	Tel Aviv	sun 36
						Karachi	fair 35	Nairobi	fair 26	Tokyo	cloudy 28
						Kuwait	sun 42	Naples	thund 25	Toronto	sun 27
						L. Angeles	fair 28	Nassau	shower 32	Vancouver	fair 20
						Las Palmas	fair 26	New York	cloudy 26	Venice	fair 22
						Lima	cloudy 19	Nice	sun 24	Vienna	shower 15
						Lisbon	fair 25	Nicosia	sun 34	Warsaw	rain 13
						London	sun 20	Oslo	fair 17	Washington	shower 27
						Lux.bourg	sun 19	Paris	sun 22	Wellington	shower 13
						Lyon	sun 22	Perth	shower 19	Winnipeg	sun 24
						Madeira	sun 25	Prague	shower 11	Zurich	sun 16